CARTER HAWLEY HALE STORES, INC.
(Debtor-in-Possession)

Consolidated Statement of Earnings

(in thousands except per share data)	Year Ended February 1, 1992 (52 weeks)	Year Ended February 2, 1991 (unaudited) (52 weeks)	Period Ended February 2, 1991 (26 weeks)	Period Ended February 3, 1990 (unaudited) (27 weeks)	Year Ended August 4, 1990 (53 weeks)	Year Ended July 29, 1989 (52 weeks)
Sales	$2,127,917	$2,532,749	$1,318,565	$1,643,635	$2,857,819	$2,787,393
Cost of goods sold, including occupancy and buying costs	1,581,144	1,885,152	985,018	1,185,210	2,085,344	2,001,188
Selling, general, and administrative expenses	476,520	570,854	292,241	338,957	617,580	607,441
Provision for consolidation programs		47,000	47,000			
Gain on sale of Thalhimers		(30,000)	(30,000)			
Other expense		681		4,150	4,831	6,000
Interest expense, net	102,288	144,982	71,046	87,598	161,534	160,344
Earnings (loss) from operations before reorganization costs and income taxes	(32,035)	(85,920)	(46,740)	27,710	(11,470)	12,420
Reorganization costs	138,057	40,000	40,000			
Earnings (loss) from operations before income taxes	(170,092)	(125,920)	(86,740)	27,710	(11,470)	12,420
Income taxes		(26,250)	(13,200)	11,050	(2,000)	5,000
Earnings (loss) before extraordinary items and cumulative effect of changes in accounting	(170,092)	(99,670)	(73,540)	16,660	(9,470)	7,420
Extraordinary items						
Costs related to early retirement of debt, net of income tax benefit of $1,300 and $6,200 in periods ended February 2, 1991 and July 29, 1989, respectively	(16,894)	(14,070)	(14,070)			(9,250)
Earthquake loss, net of income tax benefit of $4,000, $7,000 and $11,000		(6,000)		(10,500)	(16,500)	
Cumulative effect of changes in accounting						
Postretirement medical and other benefits, net of income tax benefit of $2,000	(30,000)					
Income taxes						15,300
Net earnings (loss)	$ (216,986)	$ (119,740)	(87,610)	$ 6,160	$ (25,970)	$ 13,470
Earnings (loss) per common share						
Operations	$ (5.89)	$ (3.55)	$ (2.55)	$ .70	$ (.37)	$ .34
Extraordinary items						
Early retirement of debt	(.58)	(.50)	(.49)			(.42)
Earthquake loss		(.21)		(.44)	(.66)	
Changes in accounting						
Postretirement medical benefits	(1.04)					
Income taxes						.70
	$ (7.51)	$ (4.26)	$ (3.04)	$ .26	$ (1.03)	$ .62

See accompanying Summary of Significant Accounting Policies and Financial Review.

CARTER HAWLEY HALE STORES, INC.
(Debtor-in-Possession)

Consolidated Balance Sheet

(in thousands)	February 1, 1992	February 2, 1991
Assets		
Current assets		
Cash	$ 37,516	$ 33,131
Restricted cash deposits		45,437
Accounts receivable, net	615,309	699,961
Merchandise inventories	384,446	355,449
Other current assets	19,822	20,086
	1,057,093	1,154,064
Property and equipment, net	509,189	511,690
Other assets	101,380	89,667
	$1,667,662	$1,755,421
Liabilities and Shareholders' Equity		
Current liabilities		
Notes payable and current installments	$ 39,866	$ 2,890
Accounts payable	135,278	29,961
Accrued liabilities	242,756	133,654
Current income taxes	10,923	9,477
	428,823	175,982
Liabilities subject to settlement under reorganization proceedings	598,321	598,650
Receivables based financing	489,254	633,798
Other long-term debt	453,174	453,174
Capital lease obligations	55,255	62,116
Other liabilities	132,471	82,503
Deferred income taxes	18,840	21,825
Shareholders' equity		
Common stock, $.01 par value	303	303
Other paid-in capital	643,194	643,252
Accumulated deficit	(1,151,973)	(916,182)
	(508,476)	(272,627)
	$1,667,662	$1,755,421

See accompanying Summary of Significant Accounting Policies and Financial Review.

CARTER HAWLEY HALE STORES, INC.
(Debtor-in-Possession)

Consolidated Statement of Cash Flows

(in thousands)	Year Ended February 1, 1992 (52 weeks)	Year Ended February 2, 1991 (unaudited) (52 weeks)	Period Ended February 2, 1991 (26 weeks)	Period Ended February 3, 1990 (unaudited) (27 weeks)	Year Ended August 4, 1990 (53 weeks)	Year Ended July 29, 1989 (52 weeks)
Operating activities						
Earnings (loss) from operations	$ (170,092)	$ (99,670)	$ (73,540)	$ 16,660	$ (9,470)	$ 7,420
Adjustments to reconcile earnings (loss) from operations to net operating cash flows						
Depreciation and amortization	43,636	42,630	21,836	27,603	50,995	52,956
Earthquake costs		(10,000)		(17,500)	(27,500)	
Gain on sale of Thalhimers		(30,000)	(30,000)			
Gains on asset sales		(7,298)			(7,298)	
Deferred income taxes		(19,605)	(19,091)		(514)	(2,947)
Change in operating assets and liabilities, net of effect of sale of Thalhimers in 1990						
Restricted cash deposits	45,437	(45,437)	(45,437)			
Accounts receivable, net	78,166	26,565	(89,693)	(146,843)	8,272	(272,479)
Merchandise inventories	(28,997)	91,834	94,300	21,826	12,081	(25,858)
Accounts payable and accrued liabilities	201,893	70,022	29,452	(67,736)	(28,452)	(12,920)
Receivables securitization deposits	7,966	(5,116)		(10,345)	(15,472)	(10,134)
Other, net	(11,565)	13,179	2,882	1,343	(18,529)	(12,270)
Net cash provided (used) by operating activities	166,444	27,104	(109,291)	(174,992)	(35,887)	(276,232)
Investing activities						
Proceeds from sale of Thalhimers		317,000	317,000			
Proceeds from asset sales		14,216	8,469		5,747	4,892
Purchases of property and equipment	(34,850)	(80,556)	(37,989)	(28,219)	(83,220)	(75,849)
Net cash provided (used) by investing activities	(34,850)	250,660	287,480	(28,219)	(77,473)	(70,957)
Financing activities						
Postpetition debt activity						
Net change in financing under receivables based facility	489,254					
Net change in financing under working capital facility	37,000					
Prepetition debt activity						
Net change in financing under receivables based facility	(633,798)	(153,994)	(44,848)	135,360	26,214	301,432
Net change in financing under working capital facility		(20,000)	(40,000)	20,000	40,000	(27,000)
Other issuances of long-term debt		23,104			37,182	87,215
Retirements of long-term debt and capital lease obligations	(2,771)	(115,053)	(71,665)	(6,162)	(53,904)	(13,755)
Costs relating to early retirements of long-term debt, net of items not requiring cash outlay	(16,894)	(5,113)	(5,113)			(974)
Issuances of common stock		8,212	2,347	44,697	50,562	3,155
Net cash provided (used) by financing activities	(127,209)	(262,844)	(159,279)	193,895	100,054	350,073
Net increase (decrease) in cash	4,385	14,920	18,910	(9,316)	(13,306)	2,884
Cash at the beginning of the period	33,131	18,211	14,221	27,527	27,527	24,643
Cash at the end of the period	$ 37,516	$ 33,131	$ 33,131	$ 18,211	$ 14,221	$ 27,527

See accompanying Summary of Significant Accounting Policies and Financial Review.

CARTER HAWLEY HALE STORES, INC.
(Debtor-in-Possession)

Consolidated Statement of Common Stock and Other Shareholders' Equity

(in thousands)	Common Stock Shares	Common Stock Par Value	Other Paid-In Capital	Accumulated Deficit
Balance, July 30, 1988	22,592	$ 226	$ 581,349	$ (811,766)
Net earnings				13,470
Stock incentive plan contra*			2,042	
Exercise of stock options and other stock issuances	468	4	3,058	
Balance, July 29, 1989	23,060	230	586,449	(798,296)
Net loss				(25,970)
Issuance of common stock	3,450	34	25,419	
Issuances of common stock to profit sharing plan	3,223	32	23,242	
Net cancellations of common stock under the stock incentive plan	(184)	(2)	(3,249)	
Stock incentive plan contra*			4,498	
Exercise of stock options	299	4	1,852	
Recognition of additional minimum pension liability				(8,062)
Balance, August 4, 1990	29,848	298	638,210	(832,328)
Net loss				(87,610)
Issuances of common stock to profit sharing plan	679	7	2,400	
Net cancellations of common stock under the stock incentive plan	(158)	(2)	(2,171)	
Stock incentive plan contra*			4,813	
Adjustment to additional minimum pension liability				3,756
Balance, February 2, 1991	30,369	303	643,252	(916,182)
Net loss				(216,986)
Net cancellations of common stock under the stock incentive plan	(20)		(58)	
Adjustment to additional minimum pension liability				(18,805)
Balance, February 1, 1992	30,349	$ 303	$ 643,194	$(1,151,973)

* Other Paid-in Capital is net of notes receivable and unamortized costs relating to the Company's stock incentive plan (see Employee Stock Incentive Plans section of the Financial Review).

See accompanying Summary of Significant Accounting Policies and Financial Review.

FORM 10-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the Fiscal Year Ended February 1, 1992 — Commission File Number 1-8765

CARTER HAWLEY HALE STORES, INC.

Delaware (State or other jurisdiction of incorporation or organization)	94-0457907 (I.R.S. Employer Identification No.)
444 South Flower Street Los Angeles, California (Address of principal executive offices)	90071 (Zip Code)

Registrant's Telephone Number, including Area Code: (213) 620-0150

Securities Registered pursuant to Section 12(b) of the Act:

Title of Class	Name of Each Exchange on Which Registered
Common Stock Preferred Stock Purchase Rights	New York Stock Exchange Pacific Stock Exchange London Stock Exchange

Securities Registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes _X_ No ____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Aggregate market value of common stock held by non-affiliates of the registrant as of March 15, 1992: $60,599,005

Number of shares of common stock outstanding as of March 15, 1992: 30,348,490

Documents Incorporated By Reference

None

PART I

ITEM I. BUSINESS

GENERAL

Carter Hawley Hale Stores, Inc. (the "Company"), organized in 1896, is a Delaware corporation whose principal executive offices are located at 444 South Flower Street, Los Angeles, California 90071.

The Company is one of the largest department store retailers in the United States, operating 88 department stores with an aggregate of 16,420,000 square feet of gross store space. The Company's operations comprise The Broadway-Southern California, The Broadway-Southwest, Emporium, and Weinstocks. Approximately 87 percent of sales are generated through stores located in California. The remainder of the Company's sales are generated through stores located in Arizona, Utah, Nevada, Colorado, and New Mexico. The stores, which are located primarily in shopping centers, feature goods in the medium-price range and emphasize a high standard of quality. The stores carry a wide range of merchandise with an emphasis on apparel but also include accessories, home furnishings, electronics and, in most cases, furniture.

Since 1987, the Company has engaged in a series of programs to consolidate certain administrative functions of its operating divisions. This has included the centralization of the accounts payable, credit, store planning and construction, and other support functions which were previously handled by the Company's separate divisions.

During the past twelve months, the Company consolidated all administrative functions of its Weinstocks and Emporium divisions and on January 27, 1992, announced its intention to consolidate the administrative functions of The Broadway-Southern California and The Broadway-Southwest divisions.

On March 16, 1992, the Company announced a plan to consolidate fully the management, marketing and sales promotion, distribution networks, merchandising departments, and support functions of its operating divisions and its Corporate office (the "Consolidation"). In the opinion of management, the Consolidation, which is expected to be completed during fiscal 1992, will make the Company a more responsive and efficient retail organization. The new organization will preserve the Company's well-established franchise names and the accompanying customer loyalty and goodwill which the Company's divisions have enjoyed over the years, while facilitating a more coordinated marketing approach. The centralization of all merchandising functions will promote the development of a more defined merchandising strategy and provide the advantage of a central source through which direct contact will be maintained with all of the Company's vendors. The new centralized organization will eliminate certain duplicative functions previously performed by each division. Annualized savings of $25 to $30 million are expected to be realized from the Consolidation and the previously announced consolidation of The Broadway-Southwest into The Broadway-Southern California.

The Consolidation will result in the centralization of most management operations in one location. In addition, the Company will continue to maintain its information services and data processing service center in Anaheim, California and its credit card and accounts payable administrative center in Tempe, Arizona.

Chapter 11 Reorganization

General. On February 11, 1991 (the "Petition Date"), the Company filed a voluntary petition for relief (the "Filing") under chapter 11 ("Chapter 11") of title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Central District of California (the "Bankruptcy Court"), seeking to reorganize under Chapter 11. In Chapter 11, the Company has continued to manage its affairs and operate its business as debtor in possession while it develops a reorganization plan that will restructure the Company and allow its emergence from Chapter 11. As debtor in possession in Chapter 11, the Company may not engage in transactions outside of the ordinary course of business without approval of the Bankruptcy Court, after notice and hearing. The official unsecured Creditors' Committee, appointed by the United States Trustee on February 20, 1991 (the "Creditors' Committee"), was involved in reviewing and making recommendations to the Bankruptcy Court with respect to proposed business transactions that were out of the ordinary course of the Company's business. Pursuant to an agreement entered into between the Creditors' Committee and the Company's current largest unsecured creditor, as more fully described in this Item at "The Tender Offers and Store Modernization Facility", all members of the Creditors' Committee resigned on October 17, 1991. The Creditors' Committee has not been reconstituted by the United States Trustee. On October 23, 1991, the United States Trustee appointed an official Equity Committee to represent the interests of holders of the Company's common stock.

Significant Postpetition Events. Since the Petition Date, the Company has sought and obtained numerous orders from the Bankruptcy Court intended to stabilize its business, including, among others, orders (i) authorizing the Company to operate its cash management system substantially as it was operated prior to the Filing; (ii) approving a $250.0 million postpetition, unsecured, revolving credit facility providing for working capital loans and letters of credit (the "Working Capital Facility"), and approving the implementation of a $550.0 million interim and a replacement accounts receivable facility (the "Interim Receivables Facility" and the "Receivables Securitization Facility"), as more fully described in this Item at "Postpetition Financing"; (iii) authorizing the Company to assume its contract with The Associated Merchandising Corporation, as more fully described in this Item at "Private Label and Group Purchasing Program"; (iv) authorizing the Company to honor certain prepetition customer claims; (v) authorizing the Company to honor certain employee benefit policies and to pay certain wages and salaries of its active employees; (vi) authorizing the Company to enter into a uniform stipulation resolving reclamation claims of the Company's vendors; (vii) authorizing the Company to make contributions to its qualified pension plans on account of accruals prior to the Petition Date; (viii) authorizing the Company to consolidate its credit card and accounts payable operations in a newly leased facility in Tempe, Arizona; and (ix) authorizing the implementation of an executive incentive plan and an employee retention plan, more fully described at "Item 11. Executive Compensation".

Since the Petition Date, the Company has also made significant strides towards developing a plan of reorganization including negotiating and obtaining Bankruptcy Court authority to enter into (i) agreements pursuant to which an affiliate of the Zell/Chilmark Fund, L.P. (a) successfully completed tender offers for approximately 80 percent of the Company's outstanding Debt Securities (as hereafter defined) and certain scheduled and unscheduled claims and (b) agreed to loan the Company up to $50 million to finance store renovations (the "Postpetition Store Modernization Facility"), and (ii) an agreement with The Prudential Insurance Company of America ("Prudential"), the Company's largest secured creditor, pursuant to which Prudential agreed, among other things, to support any plan of reorganization proposed by the Company that contains certain terms and provisions relating to Prudential's claims and the restructuring of Prudential's loans pursuant to such plan . For additional information related to the tender offers, the Postpetition Store Modernization Facility, and the agreement with Prudential, see this Item at "The Tender Offers and Store Modernization Facility" and "The Prudential Settlement Agreement".

The Tender Offers and Store Modernization Facility. In early May, 1991, a representative of Zell/Chilmark Fund, L.P. (the "Fund") expressed an interest in providing financing to the Company in connection with any bankruptcy reorganization plan that might be submitted to the Bankruptcy Court. In June 1991, the Company and the Fund began discussions regarding the Fund's acquisition of an interest in the Company through a plan of reorganization. On July 24, 1991, the Company and the Fund entered into an agreement (the "Zell/Chilmark Agreement") which, along with the proposed Postpetition Store Modernization Facility, had been approved by the Company's Board of Directors on July 23, 1991. The Zell/Chilmark Agreement authorized Z/C Subsidiary Corporation ("Zell/Chilmark"), a wholly-owned subsidiary of the Fund, to launch tender offers for all of the Company's outstanding 12.25% Senior Subordinated Notes and 12.5% Senior Subordinated Debentures (the "Debt Securities") and certain other scheduled, unsecured claims against the Company (the "Tender Offers") at a price equal to 40% of the face amount of such claims. In addition, the Zell/Chilmark Agreement provided that Zell/Chilmark and the Fund shall (i) support any application by the Company to extend the exclusivity period for the filing of a plan of reorganization by the Company to a date not later than December 31, 1992, and (ii) not to vote for, consent to, support, participate in the formulation of, propose or file any plan of reorganization other than one proposed by the Company prior to the earlier of (a) the date upon which, following completion of the Tender Offers, a party-in-interest other than the Company has filed a plan of reorganization with, and made a motion for the approval of a related disclosure statement to, the Bankruptcy Court, and (b) December 31, 1992. Zell/Chilmark launched the Tender Offers on July 24, 1991. On July 24, 1991, the Company and the Fund also entered into the $50 million Postpetition Store Modernization Facility, which was intended to provide the Company with access to funds necessary to begin a store modernization program considered crucial to the Company's long-term financial viability.

As a condition to the Tender Offers, the Company was required to file two separate joint motions with the Fund and Zell/Chilmark with the Bankruptcy Court relating to (i) the transfer of claims to Zell/Chilmark in connection with the Tender Offers, and (ii) approval of the Postpetition Store Modernization Facility. On July 29, 1991, the Company, the Fund, and Zell/Chilmark filed joint motions requesting entry of orders by the Bankruptcy Court approving certain aspects of the transfer of claims to Zell/Chilmark and approving the Postpetition Store Modernization Facility.

On August 15, 1991, Zell/Chilmark amended the Tender Offers to include certain unscheduled, unsecured claims so long as the aggregate amount of such claims did not exceed the scheduled amount by more than $50 million.

At a September 16, 1991 hearing on the joint motions, the Bankruptcy Court ruled, among other things, that all claims acquired pursuant to the Tender Offers (i) could be transferred to Zell/Chilmark without the need of further leave of the Bankruptcy Court, (ii) would be allowed to the same extent they would have been allowable under Bankruptcy Code section 502 had they remained in the hands of the tendering holder, (iii) would not be subject to disallowance under Bankruptcy Code section 502(d) even if the transferor of the claim was a transferee of a transfer recoverable under Bankruptcy Code section 547, and (iv) could be voted by Zell/Chilmark under Bankruptcy Code section 1126 to the extent of the allowed amount of such claims and in the same number (as if the claims were still held by the transferors) in connection with any plan of reorganization subsequently filed in the Chapter 11 case (subject to the designation of such claims for voting purposes based on any act of Zell/Chilmark not in good faith, after the date of such order). On that date, the Bankruptcy Court also approved the Postpetition Store Modernization Facility intended to finance improvements to certain of the Company's stores. Interest under the Postpetition Store Modernization Facility is payable on each borrowing at a rate per annum equal to 1.5% plus the greater of (i) the Prime Rate, (ii) the Base CD Rate plus 1%, and (iii) the Federal Funds Effective Rate (as such terms are defined in the Postpetition Store Modernization Facility), in effect on such day, plus 0.5%. The Postpetition Store Modernization Facility further requires that for each borrowing, the Company submit to the Fund and obtain the Fund's approval of a store modification proposal describing the specific improvements the Company intends to finance with the proceeds of such borrowing. In addition, pursuant to the Postpetition Store Modernization Facility, the Company has agreed

not to assume or reject any leases with respect to real property (other than certain Restricted Property as such term is defined in the Postpetition Store Modernization Facility) pursuant to Bankruptcy Code section 365 without the specific, written approval of the Fund. Further, the Company agreed to reimburse the Fund for all reasonable out-of-pocket expenses up to $1.5 million incurred by the Fund in connection with the Postpetition Store Modernization Facility, the Tender Offers, the Zell/Chilmark Agreement and the negotiation and implementation of the documents associated with the transactions contemplated thereby. Upon consummation of the Tender Offers, the Company reimbursed the Fund a total of $1.5 million for expenses it had incurred. The Company reported the expense in its fiscal 1991 financial statements as a component of professional fees directly related to the Filing. The Postpetition Store Modernization Facility further provides that all obligations incurred by the Company thereunder will be treated as super priority claims pursuant to Bankruptcy Code section 364(c)(1) subject only to the super priority administrative claim of certain banks that are lenders under the Working Capital Facility and certain professional fees and expenses in connection with the Company's bankruptcy case (the "Reorganization Case"). The Postpetition Store Modernization Facility will terminate upon the earliest of (i) the confirmation of a plan of reorganization of the Company, (ii) the conversion of the Reorganization Case from Chapter 11 to Chapter 7, or (iii) December 31, 1993.

On September 17, 1991, Zell/Chilmark amended the Tender Offers to extend the expiration date, and on October 2, 1991, Zell/Chilmark further extended the expiration date to October 16, 1991 and increased the amount of consideration offered in the Tender Offers to 47% of allowed claims. The Tender Offers closed on October 17, 1991, with Zell/Chilmark purchasing claims with a face amount of approximately $431 million, representing approximately 80% of the respective face amount of existing Debt Securities and scheduled claims. Pursuant to the agreement reached between the Creditors' Committee and Zell/Chilmark in which Zell/Chilmark increased the amount of consideration offered in the Tender Offers, each member of the Creditors' Committee resigned after completion of the Tender Offers.

The Company's Board of Directors remained neutral with respect to the Tender Offers and made no recommendation to holders of eligible claims with respect thereto. The Company's Board of Directors did, however, view it as appropriate to allow holders of claims the opportunity to quickly liquidate their claims for a set dollar amount. The Company believes that by consolidating thousands of claims into the hands of a single entity, the successful Tender Offers will expedite development and confirmation of a reorganization plan. In addition, the $50 million Postpetition Store Modernization Facility provides the Company with access to funds to initiate a store modernization program considered crucial to the Company's long-term financial viability.

The Prudential Settlement Agreement. On December 31, 1991, the Company, Prudential, and Zell/Chilmark entered into a settlement agreement (the "Prudential Settlement Agreement") which was approved by order of the Bankruptcy Court on February 10, 1992. Under the Prudential Settlement Agreement, Prudential and the Company agreed, among other things, as follows:

- During the term of the Prudential Settlement Agreement, Prudential will vote in favor of any plan of reorganization proposed by the Company that contains certain terms and provisions (the "Prudential Terms") with respect to Prudential's claims and the restructuring of its prepetition loans (the "Prudential Prepetition Credit Agreement") as set forth in the Prudential Settlement Agreement;

- The Company and Prudential agreed to immediately suspend all actual and certain potential litigation against one another until at least December 1, 1992;

- On the effective date of a plan of reorganization containing the Prudential Terms (the "Effective Date"), Prudential will have its principal and accrued interest allowed in full. The maturity of Prudential's loans (the "Maturity Date") will be extended for approximately five years to December, 2002 (or, if earlier, the tenth anniversary of the Effective Date). Principal payments on the outstanding balance of the loans will commence on the fifth anniversary of the Effective Date with the unpaid balance to be paid no later than five years after the principal payments commence;

- On the Effective Date, interest accruing on Prudential's loans from the Petition Date through May 31, 1992 (estimated at $52 million) will be capitalized in a 9 percent note (the "Accrued Interest Note"). Principal payments on the Accrued Interest Note will commence on the fifth anniversary of the Effective Date and continue in equal installments through the Maturity Date;

- On the Effective Date, although the loans will continue to accrue interest at the blended contract rate (10.67% per annum), the Company will only be required to pay interest at a lower pay rate (7.5% per annum) during the first two years following the Effective Date. Interest representing the difference between the pay rate and the blended contract rate (estimated at $24 million) will be capitalized under and paid in accordance with the terms of the Accrued Interest Note;

- On the Effective Date, certain fees and costs incurred by Prudential in connection with the Company's Reorganization Case will be capitalized and added to the principal balance of the Accrued Interest Note;

- On the Effective Date, the Prudential Prepetition Credit Agreement will be amended to grant Prudential certain additional stores as collateral for its loans; and

- On the Effective Date, Prudential will be released from all potential claims arising from the 1987 Restructuring (as defined and more fully described in this Item at "1987 Restructuring"), including potential fraudulent transfer claims (as more fully described in this Item at "Investigation of Potential Fraudulent Transfer and Related Causes of Action").

The Company believes that the Prudential Settlement Agreement constitutes an important step in the development of a reorganization plan because, among other things, it (a) resolves issues with the Company's largest secured creditor which are essential to development of a confirmable plan of reorganization and insures Prudential's support of a reorganization plan containing certain terms, (b) stays certain existing and potential litigation between the Company and Prudential, thereby enabling the Company's senior management to focus on developing a reorganization plan rather than on such litigation, and (c) will, in the Company's opinion, provide the impetus for similar settlement agreements with various other parties-in-interest. The Prudential Settlement Agreement terminates no later than June 15, 1993, but may terminate earlier upon the happening of certain events described in the Prudential Settlement Agreement. Certain provisions of the Prudential Settlement Agreement, primarily relating to the adequate protection of Prudential's interest during the Reorganization Case, can survive termination of the Prudential Settlement Agreement.

<u>Investigation of Potential Fraudulent Transfer and Related Causes of Action.</u> In June 1991, the Creditors' Committee made demand upon the Company's Board of Directors for a statement of intent regarding the prosecution of certain potential fraudulent transfer claims arising from the 1987 Restructuring, as defined and more fully described in this Item at "1987 Restructuring". In general, the Creditors' Committee contended that the Company has claims or causes of action that were of sufficient merit to warrant their pursuit against a host of potential defendants in connection with the 1987 Restructuring, including, among others, General Cinema Corporation (a Delaware Corporation and at the time, a major holder of the Company's common stock and holder of the Company's convertible preferred shares for which it received, among other things, shares of The Neiman Marcus Group pursuant to the 1987 Restructuring), The Neiman Marcus Group (the corporation to which the Company's specialty store divisions were transferred

pursuant to the 1987 Restructuring), Prudential (the Company's largest secured creditor, which helped finance the 1987 Restructuring), and the directors of the Company at the time of the 1987 Restructuring. The Creditors' Committee demand sought the Company's consent to the Creditors' Committee's commencement and prosecution of fraudulent transfer actions against such parties to the 1987 Restructuring as the Creditors' Committee deemed appropriate. In response to the Creditors' Committee demand, the Company's Board of Directors formed a Special Committee (the "Special Committee"), comprised of four outside, independent directors of the Company, each of whom was appointed to the Company's Board of Directors after the 1987 Restructuring. The Company's Board of Directors delegated to the Special Committee all corporate authority to fully investigate and, if appropriate in its judgment, to institute, direct, manage, and resolve all potential causes of action arising in connection with the 1987 Restructuring. The Special Committee advised the Creditors' Committee that the Company would not surrender prosecution of the Company's fraudulent transfer actions, if any, to the Creditors' Committee and that the Special Committee, aided by its advisors, would investigate potential causes of action arising from the 1987 Restructuring in order to determine if further pursuit of such causes of action would be appropriate or in the best interests of the Company's estate. The Creditors' Committee, unsatisfied with the Company's assurances that the Special Committee would investigate and take appropriate action concerning any claims arising out of the 1987 Restructuring, filed a motion to vacate a previously granted order authorizing the Special Committee's employment of its counsel and filed a second motion requesting (i) that the Company be divested of its right to prosecute avoidance actions, and (ii) leave to bring an action on behalf of the Company to recover alleged fraudulent transfers. The Bankruptcy Court denied these motions on July 19, 1991 and August 30, 1991, respectively.

The Special Committee and its counsel undertook a comprehensive investigation and analysis of, among other things, the 1987 Restructuring, including the matters alleged by the Creditors' Committee. This process led the Special Committee to conclude in its preliminary report dated January 27, 1992 that the settlement of such potential causes of action would best be resolved in a consensual plan of reorganization. In consideration of the benefits conferred on the Company by the Prudential Settlement Agreement, the Special Committee acting on behalf of the Company, executed a release, dated March 1, 1992, of Prudential from any matters under investigation by the Special Committee in connection with the fraudulent transfer and related causes of action arising from the 1987 Restructuring. This release was delivered into escrow and, subject to the terms of the Prudential Settlement Agreement, will be delivered to Prudential on the Effective Date. If the Effective Date does not occur by June 15, 1993, the Prudential release will be returned to the Company.

Postpetition Financing. On April 8, 1991, the Bankruptcy Court granted final approval of an $800.0 million aggregate amount debtor-in-possession financing arrangement consisting of the Working Capital Facility and the Interim Receivables Facility. Both of these facilities, as well as the Receivables Securitization Facility which replaced the Interim Receivables Facility, are described below.

Working Capital Facility. On February 13, 1991, the Bankruptcy Court entered an order approving, among other documents, the Revolving Credit Agreement (the "Postpetition Credit Agreement"), dated as of February 11, 1991, among the Company, Chemical Bank, as administrative agent ("Chemical Bank"), and a syndicate of financial institutions (collectively, the "Postpetition Lenders") that established, with such other documents, the Working Capital Facility. This order limited the Company's borrowings thereunder to $150.0 million; a subsequent order was entered on February 28, 1991 authorizing the Company to borrow up to the entire $250.0 million amount available under the Working Capital Facility (the "Total Commitment"). Borrowings under the Working Capital Facility may be used by the Company to finance general working capital requirements including purchases of inventory and other expenditures permitted thereunder. Over the course of the Reorganization Case, the Postpetition Credit Agreement has, with Bankruptcy Court approval, been amended from time to time.

Under the Postpetition Credit Agreement, the Postpetition Lenders agreed to make revolving loans to, and to issue letters of credit for, the account of the Company in an aggregate principal amount not to exceed at any time the lesser of the Borrowing Base (as defined in the Postpetition Credit Agreement) and the Total Commitment. The obligations of the Company under the Postpetition Credit Agreement are an allowed administrative expense claim under Bankruptcy Code section 364(c)(1) in the Reorganization Case with a priority over most administrative expenses of the kind specified in Bankruptcy Code sections 503(b) and 507(b). The Total Commitment includes both direct advances and letters of credit, with a $60.0 million sublimit for documentary letters of credit, and a $60.0 million sublimit for standby letters of credit.

The Postpetition Credit Agreement provides that interest upon advances made pursuant thereto will accrue at the rate of 1.5 percent per annum in excess of Chemical Bank's Alternate Base Rate (as defined in the Postpetition Credit Agreement), payable quarterly in arrears. The Alternate Base Rate is equal to the rate per annum equal to the greatest from time to time of (i) the Prime Rate, (ii) the Base CD Rate plus 1 percent and (iii) the Federal Funds Effective Rate (as such terms are defined in the Postpetition Credit Agreement) plus 0.5 percent. The Postpetition Credit Agreement also provides that in the event of a default in the payment of any amount due thereunder, the interest rate on such defaulted amount shall be 3.5 percent per annum in excess of the Alternate Base Rate, payable on demand.

Among other things, the Postpetition Credit Agreement imposes limitations on the Company with respect to (i) subject to certain exceptions, the creation or incurrence of liens, (ii) consolidations, mergers, and, subject to certain exceptions, sales of assets, (iii) the incurrence of guarantees or other contingent obligations, (iv) the making of capital expenditures in excess of specified levels, (v) subject to certain exceptions, the creation or incurrence of any indebtedness for borrowed money or the payment of principal of or interest on any prepetition indebtedness; (vi) entering into any material amendments to the Receivables Securitization Facility (as described below); (vii) Inventory (as defined in the Postpetition Credit Agreement) falling below certain amounts, and (viii) incurring or permitting any claim that is pari passu or senior to the indebtedness of the Postpetition Lenders, subject to certain exceptions (as defined in the Postpetition Credit Agreement). The Postpetition Credit Agreement also prohibits the Company from accepting its credit cards for purchases during the continuance of a payment default under the Postpetition Credit Agreement, upon the continuance of any other event of default thereunder for six weeks or longer, and upon the occurrence of certain other events under the Receivables Securitization Facility.

The Postpetition Credit Agreement includes a commitment fee of 0.5 percent on the unused portion of the Working Capital Facility, and certain other fees. The Postpetition Credit Agreement expires on the earlier of February 26, 1993, the date of the effectiveness of a "Reorganization Plan" (as defined in the Postpetition Credit Agreement), and the date of the substantial consummation of such reorganization plan. Prudential appealed the orders approving the Postpetition Credit Agreement. The appeal was denied by the district court and is presently pending before the Ninth Circuit Court of Appeals. Pursuant to the Prudential Settlement Agreement, Prudential has agreed to stay prosecution of the appeal during the term of the Prudential Settlement Agreement.

Interim Receivables Facility and Receivables Securitization Facility. Prior to the Petition Date, the Company funded its credit card receivables through a credit card receivables securitization facility. This financing was obtained through an unaffiliated, special purpose corporation, which acquired an interest in the Company's credit card receivables from CHH Receivables, Inc., a wholly owned nondebtor subsidiary of the Company, through the issuance of commercial paper. CHH Receivables, Inc. is not a party to the Reorganization Case or a debtor in any other bankruptcy case. At February 2, 1991, the accounts of CHH Receivables, Inc. consisted principally of accounts receivable of $667.5 million and receivables based debt financing of $633.8 million. Because the Company was no longer able to fund receivables after the Petition Date, on April 8, 1991, the Bankruptcy Court approved the Interim Receivables Facility that replaced the then existing credit card receivables facility. The Interim Receivables Facility was only

intended to be a short-term vehicle for the Company to finance its credit card receivables during the extended period that it would take to negotiate a long-term credit card receivables securitization facility. On July 15, 1991, the Bankruptcy Court approved the postpetition securitization agreement providing for the establishment of the credit card Receivables Securitization Facility to replace the Interim Receivables Facility. The Receivables Securitization Facility became operational as of July 25, 1991. In connection with the implementation of the Receivables Securitization Facility, the Company acquired the stock of Camelback Funding Corp. ("Camelback"). Camelback has issued commercial paper (within the $363.5 million limitations imposed by the facility) and $200 million in privately-placed 8.75% credit card backed notes. The Receivables Securitization Facility enables the Company to finance its credit card receivables while saving an estimated $6.0 to $7.5 million in annual financing costs as compared with the Interim Receivables Facility. Prudential appealed the orders approving the Interim Receivables Facility and the Receivables Securitization Facility. The appeal of the order approving the Interim Receivables Facility was denied by the district court and is presently pending before the Ninth Circuit Court of Appeals. The appeal of the order approving the Receivables Securitization Facility is before the district court. Pursuant to the Prudential Settlement Agreement, Prudential has agreed to stay prosecution of these appeals during the term of the Prudential Settlement Agreement.

For additional information related to the Company's Chapter 11 proceedings, see "Item 3. Legal Proceedings". For additional information on the financial impact of Chapter 11 on the operations of the Company's business, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Reorganization and Basis of Reporting section of Summary of Significant Accounting Policies to the Consolidated Financial Statements.

Competition

The retail department store business is highly competitive with respect to the purchase and sale of merchandise and the acquisition of desirable store locations. Each store competes with similar department stores and with numerous other types of local retail outlets selling apparel and accessories, electronics, furniture, and home furnishings. Many factors enter into the competition for consumers' patronage, including service, price, quality, style, product mix, convenience, and credit availability. Each of the Company's stores has at least one department store competitor nearby.

The Company emphasizes customer service to create a more personal relationship between the customer and sales associate. Appropriate hiring practices, dress codes, and selling standards have been implemented to achieve these aims. Other programs designed to improve customer satisfaction include the installation of laser scanners on most point-of-sale terminals to shorten checkout times and advanced inventory systems to improve store in-stock positions. The Company's credit programs are competitive with other leading stores with which the Company competes for business. Credit terms provide for competitive minimum monthly payments and extended payment programs for big ticket merchandise.

Change in Fiscal Year

Effective as of February 2, 1991, the Company changed its fiscal year end from the Saturday closest to July 31 to the Saturday closest to January 31. This change facilitates comparisons between the Company and other major retailers, most of which have similar fiscal periods, reflects the natural cycle of the Company's business, and provides a basis for monitoring the Company's performance during its Chapter 11 proceedings.

Private Label and Group Purchasing Program

The Associated Merchandising Corporation ("AMC"), an independent retail consulting, marketing, and merchandising organization, administers group purchasing programs for the benefit of its member shareholders, including the Company and other retailers. As a member shareholder of AMC, the Company has access to the organization's integrated worldwide network of buying offices, domestic market coverage, and research capabilities. Substantially all of the Company's domestic and foreign private label merchandise is also purchased through programs offered by AMC. While all of the Company's foreign purchasing is conducted through AMC, all domestic non-private label buying is conducted by Company personnel. Because it purchases and ships merchandise for more than fifty retailers, AMC is able to provide the benefits of its significant economies of scale to the companies that use its services. The Bankruptcy Court has approved the assumption of the AMC contract, thereby permitting the Company to continue using the services offered by AMC. The Company does not believe that any of the thousands of suppliers from whom it purchases merchandise, other than AMC, are material to the Company or its business.

Trademarks

The service marks "The Broadway", "Broadway-Southwest", "The Emporium", "Emporium Capwell" and "Weinstocks" have been registered with the United States Patent and Trademark Office. The Company also has rights to several other marks. Except for the aforementioned service marks as applied to the retail merchandising of goods and services, the Company believes that patents, licenses, trademarks and service marks are not material to its business.

Seasonality

The department store business is seasonal in nature with a high proportion of sales and earnings generated in November and December. Working capital requirements fluctuate during the year, increasing prior to the holiday season when the Company must carry significantly higher inventory levels.

Employees

The Company employs approximately 24,000 people on a full or part-time basis, subject to seasonal increases during the holiday season. The Company has union contracts covering approximately three and one-half percent of the employees of the Company, primarily in two Emporium stores located in San Francisco. The Company considers its relations with its employees to be good.

Capital Expansion

On February 22, 1991, the Company opened a 183,500 square foot Broadway-Southwest store in Paradise Valley, a suburb of Phoenix, Arizona. In light of the Filing, however, the Company has reduced its capital expenditure programs significantly. Restrictions on such expenditures have also been imposed under the terms of the Postpetition Credit Agreement. During fiscal 1991, capital expenditures amounted to $34.9 million compared to $38.0 million in the twenty-six week Transition Period ended February 2, 1991, $83.2 million in fiscal 1990, and $75.8 million in fiscal 1989.

During fiscal 1992, the Company intends to initiate a store modernization program with funds which will include up to $50 million to be provided under the Postpetition Store Modernization Facility as more fully described in this Item at "The Tender Offers and Store Modernization Facility". Under the terms of the Postpetition Credit Agreement, waivers will be required from the Postpetition Lenders prior to the Company incurring capital expenditures exceeding $20.0 million during fiscal 1992.

Additional Information

No material part of the Company's business is dependent upon a single customer or a few customers. During the current year, the Company had no single retail customer or affiliated group of retail customers to whom sales were made in an amount which accounted for 10 percent or more of the Company's revenues for such period. As is customary in the department store industry, the Company, in general, allows merchandise to be returned by customers. Backlog is not a significant part, and research and development activities are not material aspects, of the Company's business. The Company has no material contracts with the United States government.

COMPANY OPERATIONS

General

On March 16, 1992, the Company announced the Consolidation pursuant to which the Company will consolidate fully the management, marketing and sales promotion, distribution networks, merchandising departments and support functions of its operating divisions and its corporate office. The Consolidation, which is expected to be completed during fiscal 1992, will preserve the Company's well-established franchise names and the goodwill associated therewith.

The Company's forty-two Broadway-Southern California stores are largely concentrated in the Los Angeles area but include store locations which extend from Santa Barbara to San Diego. These stores represent the leading regional department store operation in Southern California in terms of sales, market share, and number of locations. The Company seeks to maintain this market position by providing customers with personal service and merchandise assortments that are both fashionable and value oriented. During the past five years, one Broadway-Southern California store was opened and two stores were sold, including the Carson store which was sold during fiscal 1991.

The Company's twelve Broadway-Southwest stores are located in Arizona, Colorado, Nevada, and New Mexico. During the past five years, one Broadway-Southwest store was opened in Arizona and two Colorado stores were sold.

The Company's twenty-two Emporium stores are located predominantly in the San Francisco Bay area. During the past five years, one Emporium store was opened, replacing an older store that was converted into a clearance center and subsequently closed.

The Company's twelve Weinstocks stores are located in California, Utah, and Nevada. Eight of the stores are located in the Sacramento and Central Valley region of California, three in the Salt Lake City, Utah area and one in Reno, Nevada. No Weinstocks' stores were opened or closed in the past five years.

Properties

Except as noted, the following store data does not reflect the potential effects of the Company's Chapter 11 proceedings, including the possible closure of certain stores or the possible rejection of prepetition executory contracts, including certain leases, under the relevant provisions of the Bankruptcy Code.

The location, year of opening, approximate gross square footage, initial lease or current renewal option expiration date (or a notation that a store is owned by the Company), and, for leased stores with additional renewal option periods, the final renewal option expiration date are set forth below.

Name	Location	Year Opened	Approximate Gross Square Footage	Lease Expiration Date(1)
The Broadway-Southern California				
Baldwin Hills	Los Angeles	1947	213,500	Owned-2042(2)
Panorama City	Panorama City	1955	217,000	Owned
Anaheim Plaza	Anaheim	1955	221,000	2007/2055
Los Altos Center	Long Beach	1956	147,000	Owned
Del Amo	Torrance	1959	220,500	Owned
Whitwood Mall	Whittier	1961	141,000	2006/2021
Grossmont Shopping Center	La Mesa	1961	158,000	2015
West Covina Fashion Plaza	West Covina	1962	142,000	Owned
Chula Vista Center	Chula Vista	1962	201,500	Owned
Buena Ventura Plaza	Ventura	1963	157,500	1994/2060
Topanga Plaza	Canoga Park	1964	170,000	Owned
Century City	Los Angeles	1964	234,000	1995/2055
Stonewood Shopping Center	Downey	1965	160,000	Owned-2051(2)
Huntington Center	Huntington Beach	1965	160,000	1996/2064
Inland Center	San Bernardino	1966	150,000	Owned
Valley Plaza	Bakersfield	1967	150,000	1998/2065
Fashion Island	Newport Beach	1967	178,500	Owned-2003/2063(2)
Montclair Plaza	Montclair	1968	150,500	Owned
Fashion Valley	San Diego	1969	183,000	Owned-2005/2068(2)
Tyler Mall	Riverside	1970	163,000	2001/2045
Mall of Orange	Orange	1971	165,500	Owned-2007/2067(2)
Cerritos Center	Cerritos	1971	183,000	2002/2062
Northridge Fashion Center	Northridge	1971	183,000	2002/2062
Plaza	Los Angeles	1973	262,000	2010/2070
Carson	Carson	1973	161,500	(4)
Puente Hills	City of Industry	1974	161,500	2004/2067
Santa Anita	Arcadia	1974	197,500	2009/2038
Laguna Hills	Laguna Hills	1975	165,000	2006/2050-2014/2072(3)
Fox Hills	Culver City	1975	197,000	2005/2070
Glendale Galleria	Glendale	1976	191,000	Owned-2031/2051(2)
Hawthorne Plaza	Hawthorne	1977	164,000	2007/2040
Sherman Oaks Fashion Square	Sherman Oaks	1977	187,500	Owned
La Jolla	San Diego	1977	159,500	Owned
The Oaks	Thousand Oaks	1978	162,000	Owned
Brea	Brea	1978	154,500	2008/2041
Plaza Camino Real	Carlsbad	1979	155,500	2011/2039
Pasadena Plaza	Pasadena	1980	158,500	2010/2045
Santa Monica Place	Santa Monica	1980	154,000	2012/2040
La Cienega	Los Angeles	1982	162,500	2017/2027
Horton Plaza	San Diego	1985	135,000	2020/2060
North County Fair	Escondido	1986	151,500	Owned-2022/2041(2)
South Coast Plaza	Costa Mesa	1986	206,500	2021/2051
Paseo Nuevo	Santa Barbara	1990	143,000	Owned-2064(2)

Name	Location	Year Opened	Approximate Gross Square Footage	Lease Expiration Date(1)
The Broadway-Southwest				
Christown	Phoenix, Arizona	1962	153,000	Owned-2025(2)
Boulevard	Las Vegas, Nevada	1966	147,000	Owned-2062(2)
Biltmore Fashion Park	Phoenix, Arizona	1968	152,500	Owned-2000/2043(2)
Los Arcos	Scottsdale, Arizona	1969	165,500	Owned
Metrocenter	Phoenix, Arizona	1973	161,000	2005/2070
Park Mall	Tucson, Arizona	1974	161,500	2005/2050
Coronado Center	Albuquerque, New Mexico	1976	162,500	2006/2057
Meadows	Las Vegas, Nevada	1978	158,000	2008/2041
Fiesta Mall	Mesa, Arizona	1979	206,500	2010/2040
Tucson Mall	Tucson, Arizona	1982	137,500	Owned-2017/2076(2)
Westminster	Westminster, Colorado	1986	135,000	Owned
Paradise Valley	Paradise Valley, Arizona	1991	183,500	Owned(5)
Emporium				
Downtown	San Francisco	1896	610,000	Owned
Oakland	Oakland	1929	500,000	Owned
Stonestown	San Francisco	1952	287,000	Owned
Walnut Creek	Walnut Creek	1954	187,000	2005/2035
Stanford	Palo Alto	1956	231,000	Owned-2004/2053(2)
Valley Fair	Santa Clara	1957	259,000	Owned
El Cerrito	El Cerrito	1957	237,500	Owned
Hillsdale	San Mateo	1962	220,500	Owned-2012/2061(2)
Marin	San Rafael	1964	268,500	2012/2061-2012/2061(3)
Santa Rosa	Santa Rosa	1966	213,500	2002/2062
Almaden	San Jose	1968	216,500	2015/2064
Mt. View	Mt. View	1970	207,000	Owned-2018/2067(2)
Northridge	Salinas	1972	179,000	Owned-2071(2)
Tanforan	San Bruno	1972	199,500	2003/2063
Hilltop	Richmond	1976	203,500	2006/2066
Eastridge	San Jose	1978	180,000	2006/2046
Stoneridge	Pleasanton	1980	172,000	2012/2040
Sun Valley	Concord	1981	181,000	2006/2046-2014/2061(3)
Solano	Fairfield	1983	150,000	Owned
Southland Mall	Hayward	1983	178,500	2007/2027
Vallco	Cupertino	1984	181,000	Owned-2001/2061(2)
Newpark	Newark	1987	182,000	Owned
Weinstocks				
Country Club Plaza	Sacramento, California	1961	162,500	Owned
Arden Fair	Sacramento, California	1961	205,000	Owned
Stockton	Stockton, California	1966	130,500	Owned-1997/2057(2)
Reno	Reno, Nevada	1967	150,000	1998/2066
Florin	Sacramento, California	1967	150,000	Owned
Fresno	Fresno, California	1970	163,000	2006/2067
Sunrise	Sacramento, California	1972	163,000	2003/2066
Murray	Murray, Utah	1974	197,000	2004/2067
Modesto	Modesto, California	1977	161,500	2007/2040
Downtown Plaza	Sacramento, California	1979	205,500	2011/2039
Salt Lake City	Salt Lake City, Utah	1980	147,000	2015/2060
Ogden	Ogden, Utah	1980	100,000	2010/2040

(1) Initial lease or current renewal option expiration date and, for stores with additional renewal periods, the final renewal option expiration date, respectively.
(2) Owned building subject to ground lease expiring in the years indicated.
(3) Building and ground lease expiration dates, respectively.
(4) Pursuant to authority granted by the Bankruptcy Court on July 31, 1991, the Company assumed and assigned The Broadway-Southern California's Carson store lease to a third party in exchange for approximately $1 million.
(5) The newly constructed Paradise Valley store opened on February 22, 1991. Pursuant to authority granted by the Bankruptcy Court on August 12, 1991, the Company has acquired the land underlying the Paradise Valley Store.

Other Facilities

The Company operates distribution facilities in Los Angeles and Oakland, California, and Tempe, Arizona. Information services and data processing support are centralized in a facility located in Anaheim, California. Credit card and accounts payable administrative functions are provided from an administrative center located in Tempe, Arizona. The Consolidation, announced on March 16, 1992, will result in the centralization of most other management operations in one location.

Assumption and Rejection of Leases and other Real Estate Transactions during the Company's Chapter 11 Case

As of the Petition Date, the Company was the lessee under sixty-nine leases relating to sixty-five store locations. Three of these stores were subject to both ground and improvement leases. The total annual base rent due under the store leases was approximately $35 million. In addition to the base monthly rent, the Company was obligated under many of the leases, or under related agreements discussed below, for its pro rata share of common area maintenance ("CAM") charges and real property taxes. Further, on the Petition Date, the Company was lessee under twenty other leases relating to various offices, distribution facilities, clearance centers, and parking facilities. As of the Petition Date, the total annual base rent due under these additional leases was approximately $7 million.

Since many of the Company's stores are located in regional shopping centers, the Company is also party to other agreements which, although not nonresidential real property leases, are inextricably tied to the Company's ground or improvement leases. Anchor tenants, like the Company, and shopping center developers commonly enter into reciprocal easement agreements which, among other things, establish certain operating covenants to which the anchor tenants are bound. In addition, individual anchor tenants often enter into separate agreements with the developers relating to, among other things, CAM charges and operating covenants. Any decisions which the Company may make with respect to the assumption or rejection of its leases must include not only an analysis of the profitability of the particular store, but also an assessment of the Company's rights and liabilities under other agreements with third parties. In order to give the Company time to analyze its leases, develop an overall business and reorganization plan, and otherwise meet the challenges of operating as debtor-in-possession, the Bankruptcy Court entered orders on April 8, 1991, November 22, 1991, and March 23, 1992, which had the cumulative effect of extending the Company's time within which it must assume or reject leases of real property, under Bankruptcy Code section 365(d)(4), to June 30, 1992.

In the interim, the Company has acted expeditiously to make its determination with respect to assumption or rejection of its lease agreements. In this regard, the Company has been granted authority by the Bankruptcy Court to reject the leases relating to The Broadway-Southern California clearance center located in El Monte, California, The Broadway-Southwest clearance center located in Phoenix, Arizona, the Emporium clearance center located in Fremont, California, and certain office space in New York City that had been occupied by the Company's Market Services division.

The Company has also assumed or assumed and assigned certain leases when it has found a buyer for certain stores that had been unprofitable to the Company or such action was otherwise beneficial to the Company. In particular, by order dated July 31, 1991, the Bankruptcy Court approved the terms of a letter agreement between the Company and a mall developer providing for, among other things, the acquisition by either the mall developer or IKEA Properties, Inc. of the Company's interest in its Carson, California store lease, together with certain related operating agreements, and personal property located in that store. The sale to IKEA Properties, Inc. was consummated on February 6, 1992, with the Company receiving nearly $1.0 million in gross proceeds. In addition, pursuant to an order of the Bankruptcy Court

entered on May 20, 1991, the Company assumed and assigned a lease relating to a store in Allentown, Pennsylvania which the Company had subleased to John Wanamaker, formerly a wholly owned subsidiary of the Company. Finally, pursuant to an order of the Bankruptcy Court entered on October 15, 1991, the Company assumed and assigned certain subleases and sub-subleases of three floors of its corporate headquarters, thereby relieving the Company from all future obligations under the subleases and sub-subleases of floors that were unnecessary to the Company's continued operations.

The Filing has also stayed completion of numerous pending transactions at many of the Company's stores. Several of these transactions have, however, been approved by the Bankruptcy Court during the Reorganization Case. Most prominent among these transactions were: (i) completion of the acquisition of a store in Paradise Valley, Arizona; (ii) negotiation in June, 1991 of a lease for an administrative center in Tempe, Arizona to accommodate the Company's consolidated credit card and accounts payable operations; (iii) negotiation of major remodeling improvements in the Weinstocks Downtown Plaza store and The Broadway-Southwest Las Vegas Boulevard store which will be provided by the respective developers in connection with renovation of these two retail malls; (iv) negotiation of an option to complete construction of a new store in East Mesa, Arizona; (v) an amendment to the ground lease and reciprocal easement agreement relating to the store at the Newpark Mall in Newark, California, permitting construction of a new J.C. Penney store and parking structure; and (vi) negotiation of the Company's release of a portion of its leasehold interest in the Broadway-Southern California store located in Downey, California.

1987 RESTRUCTURING

On August 26, 1987, the Company's stockholders approved a plan for restructuring the Company (the "1987 Restructuring") pursuant to which the Company was reorganized into two separate companies. The operations of the Company's specialty store divisions, consisting of Bergdorf Goodman, Contempo Casuals and Neiman Marcus, were transferred to The Neiman Marcus Group, a Delaware corporation formed in 1987. The Company continued to operate the department store divisions, consisting of The Broadway-Southern California, The Broadway-Southwest, Emporium, and Weinstocks, and until its sale in December 1990, continued to operate the Thalhimers department store subsidiary.

Pursuant to the 1987 Restructuring, public holders of the Company's common stock, par value $.01 per share (the "Common Stock"), including participants in the Company's profit-sharing plan, retained their Common Stock and received $17 in cash and a share of common stock in The Neiman Marcus Group for each share of Common Stock held. The convertible preferred shares of the Company (then held by General Cinema Corporation, a Delaware corporation, and at the time, a significant Company shareholder) were exchanged for shares in The Neiman Marcus Group. General Cinema Corporation received no cash or Common Stock in respect of its preferred shares. General Cinema did receive cash and common stock of The Neiman Marcus Group for the Common Stock it previously held. Senior management of the Company received no cash or shares of stock of The Neiman Marcus Group in exchange for their existing holdings, except for shares held in the profit-sharing plan, but received instead additional shares of Common Stock. The 1987 Restructuring allowed certain stockholders, including participants in the profit-sharing plan, to make certain elections as to what mix of cash or securities they would hold after the effective time of the 1987 Restructuring. In all cases, the 1987 Restructuring incorporated a market formula designed to provide all stockholders with essentially equivalent value. In order to finance the 1987 Restructuring, the Company incurred certain debt, including debt arising under the Company' prepetition financing arrangements with Prudential, the Company's largest secured creditor. See "Item 3. Legal Proceedings" for a discussion concerning a tax dispute between the Company and The Neiman Marcus Group relating to the 1987 Restructuring. See this Item at "Investigation of Potential Fraudulent Transfer and Related Causes of Action" for a discussion of the Special Committee's investigation of certain potential causes of action arising from the 1987 Restructuring.

EXTENSION OF CREDIT

Customers can purchase the Company's merchandise on credit in accordance with revolving credit account terms provided by the Company at all divisions. Revolving credit accounts are assessed a monthly finance charge on balances outstanding more than 30 days. All divisions offer customers short- and long-term revolving charge accounts. The specific terms of the charge account agreements vary among divisions. Short-term revolving charge account terms require customers to make minimum monthly payments generally equal to 10 percent of the balance with a minimum payment of $15. Long-term revolving charge account terms require a minimum monthly payment generally equal to five percent of the balance at the time of the last purchase with a minimum payment of $20. The Company considers its payment terms to be comparable with those of its competitors.

During the five year period ended February 1, 1992, credit sales accounted for an average of approximately 56 percent of total sales. Changes in the Company's credit policy announced in July 1988 lowered the required minimum monthly payment and made it easier to purchase big ticket items. As of February 1, 1992, short-term revolving charge accounts comprised approximately 85 percent and long-term revolving charge accounts comprised approximately 15 percent of total customer receivables. The following tables reflect selected credit operations data:

As of	Number of Billed Accounts	Number of Days Credit Sales Outstanding	Average Balance per Billed Account
February 1, 1992	3,660,000	146	$157
February 2, 1991	3,830,000	141	168

Customer receivables are generally written off when the aggregate of payments made in the last six months is less than one full monthly scheduled payment, or when it is otherwise determined that the account is uncollectible. Credit sales, net write-offs with respect thereto and customer receivable balances for the periods indicated were as follows (Thalhimers' data included in all periods through August 4, 1990):

	Credit Sales		Net Write-Offs		
Fiscal Year Ended	Amount	% of Total Sales	Amount	% of Credit Sales	Total Customer Receivables
		(dollar amounts in thousands)			
February 1, 1992	$1,252,843	53.8%	$38,503	3.1%	$598,562
February 2, 1991 (26 weeks ended)	812,424	56.3	17,719	2.2	673,478
August 4, 1990	1,781,244	57.3	38,987	2.2	709,167
July 29, 1989	1,772,136	58.5	24,140	1.4	698,621
July 30, 1988	1,509,692	53.2	18,395	1.2	436,868
August 1, 1987 (26 weeks ended)	651,744	52.0	12,455	1.9	401,857

Seasonal customer purchasing in November and December produces an increase in credit purchases. As a result, customer receivable balances outstanding and the number of accounts with unpaid balances normally reach their highest levels in December and January of any year.

The deteriorating general economic conditions in the Company's principal markets, including a significant increase in personal bankruptcies, coupled with sales reductions have adversely effected the Company's net write off experience during the current fiscal year.

CAPITALIZATION(1)

The following table sets forth the capitalization of the Company and its consolidated subsidiaries at February 1, 1992 (dollar amounts in thousands):

LONG-TERM SENIOR DEBT	
Postpetition receivables based financing (2)	$ 489,254
Prepetition secured debt	
Term loans due in 1995 (4.75 percent)	89,663
10.69 and 10.2 percent notes due 1992-1997 (3)	344,000
9.9 percent notes due 1992-2010	9,442
Other	10,069
	453,174
Total long-term senior debt	942,428
SUBORDINATED DEBT SUBJECT TO SETTLEMENT UNDER REORGANIZATION PROCEEDINGS (4)	
12.25 percent notes due 1996	125,000
12.5 percent debentures due 1998-2002	225,000
CAPITAL LEASE OBLIGATIONS (excluding current maturities of $2,866)	55,255
SHAREHOLDERS' EQUITY	
Common Stock--100 million $.01 par value shares authorized; 30,348,490 shares outstanding (5)	303
Other Paid-in Capital	643,194
Accumulated Deficit	(1,151,973)
	(508,476)
TOTAL CAPITALIZATION	$ 839,207

(1) For a more detailed description of the effect of the Filing on the Company's debt obligations, reference should be made to "ITEM 3. LEGAL PROCEEDINGS".

(2) The Company funds its credit card activities through the Receivables Securitization Facility which provides for Camelback Funding Corp., a limited purpose corporation wholly owned by the Company, to issue concurrently $200 million in privately-placed 8.75% credit card-backed notes and up to $363.5 million in commercial paper. The securitization program is currently scheduled to mature on the earlier of July 23, 1993 or the effective date of a reorganization plan. For a more detailed description of the Company's funding of its credit card receivables see this Item at "Postpetition Financing -- Receivables Financing and Securitization Facility".

(3) On December 31, 1991, the Company and Prudential reached an agreement which contemplates extending the maturity of the $344.0 million due Prudential pursuant to the Prudential Prepetition Credit Agreement, for approximately five years to December 2002, if the Company should emerge from bankruptcy prior to the expiration of the Prudential Settlement Agreement. For a summary of certain terms of the Prudential Settlement Agreement see this Item at "The Prudential Settlement Agreement".

(4) As a result of the Filing, the outstanding Subordinated Debt has been classified with "Liabilities Subject to Settlement under Reorganization Proceedings". In accordance with bankruptcy accounting guidelines, the Company ceased accruing interest on this debt subsequent to the Petition Date. Unamortized Subordinated Debt issue costs, totalling $9.7 million as of the Petition Date, were written off as a reorganization cost in the current fiscal year.

(5) Common Stock outstanding does not include 3.0 million shares reserved under the employee stock incentive plans and .4 million shares reserved for purchase by the Company's 401(k) Plan.

ITEM 2. PROPERTIES

The Company conducts certain operations in leased retail stores, clearance centers, distribution centers, offices, and other facilities. Leases are generally for periods of up to 30 years, with renewal options for substantial periods. Such leases are generally at fixed rental rates, except that certain leases provide for additional rental payments based on sales in excess of predetermined levels.

At March 15, 1992, the square footage used in the Company's operations was as follows:

	Owned	Owned subject to ground lease	Leased	Total
Stores	5,134,500	3,125,000	8,160,500	16,420,000
Distribution centers and other facilities	2,240,000	-	371,900	2,611,900

Twenty-six of the Company's stores are encumbered by deeds of trust in favor of Prudential as agent for the lenders under the Prudential Prepetition Credit Agreement. An additional nine of the Company's stores are encumbered by deeds of trust in favor of Bank of America as agent for the lenders under the Company's prepetition $135.0 million term loan agreement. Three other stores and two non-store facilities are encumbered under individual mortgage agreements with other lenders. As a result of the Filing, no payments of interest or principal on secured debt have been made during the Reorganization Case. As a result, the Company is in default on its prepetition long-term debt. Actions to enforce these defaults are stayed while the Company is under the protection of the Bankruptcy Code. For information relating to a settlement agreement between the Company and Prudential, see "Item 1. Chapter 11 Reorganization -- The Prudential Settlement Agreement".

For additional information related to the Company's properties, see "Item 1. Business -- Company Operations".

ITEM 3. LEGAL PROCEEDINGS

Commencement of Chapter 11 Proceedings

General. On February 11, 1991, the Company filed a petition for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Central District of California, pending as Case No. LA 91-64140-BR. The ability of the Company to effect a successful reorganization under Chapter 11 will depend, in significant part, upon the Company's ability to formulate a confirmable reorganization plan that is approved by the Bankruptcy Court and meets the standards for plan confirmation under the Bankruptcy Code. In a Chapter 11 reorganization plan, the rights of the Company's creditors and stockholders may be substantially altered. Creditors may realize substantially less than the full face amount of their claim. Equity interests of the Company's stockholders may be diluted or even canceled. Investment in any public security of the Company, therefore, should be regarded as highly speculative. It is impossible at this time to predict the actual recovery, if any, that different classes of creditors and stockholders might ultimately realize.

The following summary sets forth certain aspects of the Reorganization Case. This summary is not intended to be an exhaustive summary. For additional information regarding the effect of the Reorganization Case on the Company, reference should be made to the Bankruptcy Code.

Chapter 11 Reorganization Under the Bankruptcy Code. Pursuant to section 362 of the Bankruptcy Code, the commencement of the Reorganization Case operates as a stay, applicable to all entities, of the following: (i) commencement or continuation of a judicial, administrative, or other proceeding against the Company that was or could have been commenced prior to commencement of the Reorganization Case,

or to recover a claim against the Company that arose before the commencement of the Reorganization Case; (ii) enforcement of any judgments against the Company, or its property, that arose before the commencement of the Reorganization Case; (iii) the taking of any action to obtain possession of property of the Company or to exercise control over property of the Company; (iv) the creation, perfection or enforcement of any lien against the property of the Company; (v) the taking of any action to collect, assess or recover a claim against the Company that arose before the commencement of the Reorganization Case; or (vi) the setoff of any debt owing to the Company, that arose prior to the commencement of the Reorganization Case, against a claim against the Company. Any entity may apply to the Bankruptcy Court for relief from the automatic stay so that it may enforce any of the aforesaid remedies.

Although the Company is authorized to operate its business as debtor in possession, it may not engage in transactions outside the ordinary course of business without first obtaining Bankruptcy Court approval after notice and hearing.

As debtor in possession, the Company has the right, under the relevant provisions of the Bankruptcy Code, to assume or reject executory contracts, including real property leases. Certain parties to such executory contracts with the Company, including parties to such real property leases, may file motions with the Bankruptcy Court seeking to require the Company to assume or reject those contracts or leases. In general, "assumption" means that the Company cures all existing defaults under the contract or lease, compensates for actual pecuniary loss resulting from such defaults, and provides adequate assurance of future performance under the contract or lease. "Rejection," which is a remedy available under the relevant provisions of the Bankruptcy Code, means that the Company is relieved from its obligations to perform further under the contract or lease. Rejection of an executory contract or lease constitutes a breach of that contract immediately before the date of the filing of the petition and gives the nondebtor party the right to assert a claim against the bankruptcy estate for damages arising out of the breach which shall be allowed or disallowed as if such claim had arisen before the date of the filing of the petition.

Prepetition claims that were contingent, unliquidated, or disputed as of the commencement of the Reorganization Case, including, without limitation, those that arise in connection with rejection of executory contracts, may be allowed or disallowed depending on the nature of the claim. Such claims may be fixed by the Bankruptcy Court or otherwise settled or agreed upon by the parties.

Under the Bankruptcy Code, an allowed claim of a creditor that is secured by a lien on property of the Company, or that is subject to a valid right of setoff, is a secured claim to the extent of the value of such creditor's interest in the Company's interest in such property, or to the extent of the amount subject to setoff, as the case may be, and is an unsecured claim to the extent that the value of such creditor's interest or the amount so subject to setoff is less than the amount of such allowed claim. Generally, claims for unmatured interest are not allowable. To the extent that an allowed secured claim is secured by property whose value, after recovery of the reasonable, necessary costs and expenses of preserving or disposing of such property, is greater than the amount of such claim, the holder of such claim generally is allowed interest on such claim and any reasonable fees, costs or charges provided for under the agreement under which such claim arose.

Plan of Reorganization - Procedures. For 120 days after the Petition Date, a Chapter 11 debtor has the exclusive right to propose and file a plan of reorganization with the Bankruptcy Court. If the Chapter 11 debtor files a plan of reorganization during the 120-day exclusivity period, no other party may file a plan of reorganization until 180 days after the Petition Date, during which period the Chapter 11 debtor has the exclusive right to solicit acceptance of the plan. If the Chapter 11 debtor fails to file a plan during the 120-day exclusivity period or such additional time period ordered by the Bankruptcy Court or, after such plan has been filed, fails to obtain acceptance of such plan from impaired classes of creditors and equity security holders during the exclusive solicitation period or such additional time period ordered by the Bankruptcy Court (together, the "Exclusivity Periods"), any party-in-interest, including a creditor, an equity security holder, a committee of creditors, or an indenture trustee, may file a plan of reorganization in the Chapter 11 proceedings. Additionally, if the Bankruptcy Court were to appoint a Chapter 11 trustee, the Chapter 11 debtor's Exclusivity Periods terminate and any party-in-interest may file a plan.

Given the magnitude of the Company's operations and the number of interested parties possessing claims against or interests in the Company, the plan formulation process in the Reorganization Case is complex. On June 10, 1991, the Bankruptcy Court granted the Company's motion for an extension of the Company's Exclusivity Periods to March 31, 1992 and June 1, 1992 and on March 23, 1992 granted the Company's request to extend the Company's Exclusivity Periods to June 30, 1992 and August 31, 1992.

The Company filed with its Chapter 11 petition a list containing the names and addresses of its known creditors. The Company filed with the Bankruptcy Court and has supplemented and amended as necessary, schedules of assets and liabilities and other schedules and statements of affairs as required by the "Rules of Practice and Procedure in Bankruptcy" and by the "Local Rules" of the Bankruptcy Court. Bankruptcy Code section 501 allows any creditor or indenture trustee to file a proof of claim with the Bankruptcy Court and any equity security holder to file a proof of interest with the Bankruptcy Court. A claim or interest, proof of which is filed under Bankruptcy Code section 501, is deemed allowed, unless a party-in-interest (including the Company) objects thereto. If an objection is made to the allowance of a claim, the Bankruptcy Court, after notice and hearing, will determine the amount, validity, and priority of such claim. Generally, the last date for filing proofs of claim or proofs of interest was November 29, 1991.

After a reorganization plan has been filed with the Bankruptcy Court, it will be sent, with a disclosure statement approved by the Bankruptcy Court, after notice and hearing, to members of all classes of impaired creditors and equity security holders for acceptance or rejection. Following acceptance or rejection of any reorganization plan by impaired classes of creditors and equity security holders, the Bankruptcy Court at a noticed hearing would consider whether to confirm the reorganization plan. Among other things, to confirm a reorganization plan the Bankruptcy Court is required to find that (i) each holder of a claim or interest of an impaired class of creditors and equity security holders either has accepted the reorganization plan or will receive or retain under the reorganization plan on account of such claim or interest property of a value, as of the effective date of the reorganization plan, that is not less than the amount that such holder would so receive or retain if the Company were liquidated under chapter 7 of the Bankruptcy Code on such date, (ii) if a class of claims is impaired under the reorganization plan, at least one class of claims that is impaired under the reorganization plan, without considering any acceptances by any insider, has accepted the reorganization plan, (iii) confirmation of the reorganization plan is not likely to be followed by the liquidation or need for further financial reorganization of the Company or any successor, unless such liquidation or reorganization is proposed in the reorganization plan, and (iv) the plan of reorganization has been accepted by the requisite majorities of all classes of creditors and interests.

If all of the requirements of the Bankruptcy Code relating to a reorganization plan confirmation are satisfied, other than the voting requirements, the proponent of the reorganization plan may invoke the so-called "cramdown" provisions of Bankruptcy Code section 1129(b). Under these provisions, the Bankruptcy Court, on request of the proponent of the reorganization plan, shall confirm the plan if the plan does not discriminate unfairly, and is fair and equitable, with respect to each class of claims or interests that is impaired under, and has not accepted, the plan. As used in the Bankruptcy Code, the phrases "discriminate unfairly" and "fair and equitable" have narrow and specific meanings. A "cramdown" might result in holders of the Company's Common Stock receiving no property or other value for their equity security interests. Because of this and other possibilities, the value of the Company's public securities, including the Common Stock, is highly speculative. For additional information related to the Company's Chapter 11 proceedings, see "Item 1. Chapter 11 Reorganization".

The Company is currently in the process of developing a plan of reorganization. Given the complexity of the Reorganization Case and the plan formulation process, however, it is not clear when any such plan will be filed with the Bankruptcy Court, nor can any assurances be given that any such reorganization plan will be confirmed by the Bankruptcy Court. For a description of certain events and agreements relating to the Company's efforts to develop a confirmable reorganization plan, see "Item I. Chapter 11 Reorganization -- The Tender Offers and Store Modernization Facility" and " -- The Prudential Settlement Agreement".

Other Legal Proceedings

The Company and The Neiman Marcus Group entered into a tax allocation agreement in connection with the 1987 Restructuring (the "Tax Allocation Agreement"). Under the Tax Allocation Agreement, The Neiman Marcus Group is responsible for the payment of certain taxes that are, or may become, payable as a result of the transition rules of the Tax Reform Act of 1986, as they relate to installment sales, bad debt reserves, and inventory capitalization attributable to the specialty store business for periods prior to the 1987 Restructuring. The Neiman Marcus Group disputed its potential obligations relating to approximately $24 million for taxes arising under the Tax Allocation Agreement. This includes approximately $14 million reflected by the Company in current accounts receivable and $10 million which would be payable to The Neiman Marcus Group if it prevailed. On April 14, 1989, the Company commenced litigation, in the Delaware Chancery Court, seeking a declaration of The Neiman Marcus Group's obligation for such taxes as they become due. In response, The Neiman Marcus Group counter claimed to recover approximately $6 million relating to the treatment of other taxes under the Tax Allocation Agreement and disputed its obligation to pay $2 million of such taxes also reflected by the Company in current accounts receivable. In the opinion of management, the outcome of this litigation will not have a material impact on the Company's financial position, although no assurances can be given in this regard. As a result of the Filing, The Neiman Marcus Group's counterclaims against the Company have been stayed. In 1991, the Company began negotiations with The Neiman Marcus Group directed at resolving the outstanding issues related to the Company's 1987 Restructuring.

In addition, the Company is a defendant in certain other legal actions that have also been stayed as a result of the Filing. In the opinion of management, the disposition of these actions will not have a material adverse effect upon the Company's financial position or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not Applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

(a) Information with respect to the principal market on which the Company's Common Stock is traded and the range of high and low closing market prices for each quarterly period during the past 2-1/2 years is set forth under "Closing Market Price Ranges of Common Stock" on page 77.

(b) There were 26,350 holders of record of shares of Common Stock of the Company as of March 15, 1992.

(c) The Company has not declared dividends during the 2-1/2 years ended February 1, 1992. The Company's subordinated debt agreements restrict the payment of cash dividends unless the consolidated net worth of the Company exceeds $600.0 million. In addition, the Bankruptcy Code prohibits the Company's payment of cash dividends without the Bankruptcy Court's prior approval.

ITEM 6. SELECTED FINANCIAL DATA

Information with respect to the Company's selected financial data is set forth under "Five Year Financial Summary" on page 78.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's discussion and analysis is set forth under "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 39.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements and supplementary data are as set forth in the "Index to Financial Statements" on page 36.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

DIRECTORS

The name, age, principal occupation for the last five years, selected biographical information, period of previous service as a director of the Company, and the number of shares of stock of the Company owned on March 15, 1992 for each director are set forth on the following pages. The principal occupations listed refer to positions with the Company unless otherwise noted. The number of shares owned are those "beneficially owned", as determined under rules of the Securities and Exchange Commission, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares as to which the director has sole or shared voting power or investment power and also any shares (the "Option Shares") which the director has the right to acquire within 60 days of March 15, 1992, through the exercise of any option, warrant or right, through conversion of any security, or pursuant to the automatic termination or power of revocation of a trust, discretionary account, or similar arrangement.

The Company's Restated Certificate of Incorporation provides for three classes of directors serving staggered three-year terms. The terms for (1) Messrs. Barker, Hecht, McGraw, Miller and Stanfill expire in 1992 (2) Messrs. Carter, DuBain, Hale and Petersen expire in 1993 and (3) Mrs. Ahmanson, and Messrs. Burnside, Gerken and Hawley expire in 1994, or when their successors are elected.

CAROLINE LEONETTI AHMANSON
Director since 1987
Age: 73
Stock owned: 10,000 shares of Common Stock

Member of:
Compensation, Nominating, Special, and Public Policy Committees

Mrs. Ahmanson has been Chairman of the Board of Caroline Leonetti Ltd., a woman's center for self-improvement since 1945 and has for more than the past 20 years been engaged in numerous civic, philanthropic and charitable affairs. From 1982 to 1984 she served as Chairman of the Federal Reserve Bank of San Francisco. She is also a director emeritus of The Walt Disney Company.

NORMAN BARKER, JR.
Director since 1970
Age: 69
Stock owned: 3,000 share of Common Stock

Member of:
Executive, Audit and Compensation Committees

Mr. Barker is former Chairman of the Board of First Interstate Bank of California and Vice Chairman of the Board of First Interstate Bankcorp. From January 1985 through December 1985, he served as Chairman of the Board of First Interstate Bank, Ltd. He is also a director of Pacific Telesis Group, Southern California Edison Company, Pacific American Income Shares, First Interstate Bank of California, TCW Convertible Securities, Inc., American Health Properties, Inc., First Executive Corporation and SPI Pharmaceuticals, Inc.

WALDO H. BURNSIDE
Director since 1980
Age: 63
Stock owned: 657,739 shares of Common Stock (including 428,892 Option Shares)

Member of:
Executive Committee

Mr. Burnside is retired President and Chief Operating Officer, positions which he held from March 1980 to February 1991.

EDWARD W. CARTER
Director since 1946
Age 80
Stock owned: 101,727 shares of Common Stock

Member of:
Executive Committee

Mr. Carter is Chairman of the Board Emeritus and served as Chairman of the Board from 1972 to 1983.

MYRON DU BAIN
Director since 1987
Age 68
Stock Owned: 10,000 shares of Common Stock

Member of:
Audit, Nominating and Public Policy Committees

Mr. Du Bain is retired Chairman and Chief Executive Officer of Fireman's Fund Corporation. He was Chairman of the Board of SRI International from December 1985 to December 1989. He is a director of California Biotechnology, Inc., First Interstate Bankcorp, Pacific Telesis Group, Potlatch Corporation and Transamerica Corporation.

WALTER B. GERKEN
Director since 1977
Age: 69
Stock Owned: 3,000 shares of Common Stock

Member of:
Executive, Compensation, Nominating and Public Policy Committees

Mr. Gerken is Chairman of the Executive Committee of Pacific Mutual Life Insurance Company. Until September 1987 he served as Chairman of the Board and until September 1986 he was also Chief Executive Officer of that company. He is also a director of Whittaker Corporation, The Times Mirror Company and Southern California Edison Company.

PRENTIS C. HALE
Director since 1949
Age: 81
Stock Owned: 202,319 shares of Common Stock

Member of:
Public Policy Committee

Mr. Hale is former Chairman of the Board. He was Chairman of the Executive Committee from 1972 to 1983 and Chairman of the Board from 1951 to 1972. He is also a director of Datron Systems, Inc.

PHILIP M. HAWLEY
Director since 1970
Age: 66
Stock owned: 1,244,974 shares of Common Stock (including 720,866 Option Shares)

Member of:
Executive Committee

Mr. Hawley is Chairman of the Board and Chief Executive Officer. He is also a director of American Telephone and Telegraph Company, Atlantic Richfield Company, BankAmerica Corporation, Johnson & Johnson and Weyerhaeuser Company.

H. MICHAEL HECHT
Director since 1991
Age 52
Stock owned: 242,289 shares of Common Stock (including 104,643 Option Shares)

Mr. Hecht became President in February 1991. From April 1990 to February 1991 he was Executive Vice President and from March 1986 to February 1991 he was also Chairman and Chief Executive Officer of The Broadway-Southern California.

LELAND C. McGRAW
Director since 1989
Age: 67
Stock owned: 2,000 shares of Common Stock

Member of:
Audit, Compensation, Special, and Public Policy Committees

Mr. McGraw is Retired Vice President, Finance and Chief Financial Officer of Chevron Corporation. From January 1, 1988 to November 1, 1989 he was Vice President, Finance and Chief Financial Officer and from April 1985 to December 1987, he was Corporate Vice President, Information Technology of that company.

DONN B. MILLER
Director since 1974
Age: 62
Stock owned: 1,000 shares of Common Stock

Member of:
Executive Committee

Mr. Miller is President and Chief Executive Officer of Pearson Sibert Oil Co. Until January 1992 he was a partner in the Los Angeles-based law firm of O'Melveny & Myers. He is also a director of Pacific Mutual Life Insurance Company.

SIDNEY R. PETERSEN
Director Since 1989
Age: 61
Stock owned: 5,000 shares of Common Stock

Member of:
Audit, Nominating, Special, and Compensation Committees

Mr. Petersen is the retired Chairman of the Board and Chief Executive Officer of Getty Oil Company, positions which he held from 1980 to 1984. He is also a director of Avery International Corporation, Adobe Resources Corporation, NICOR, Inc. and Union Bank.

DENNIS C. STANFILL
Director since 1987
Age 64
Stock owned: 2,500 shares of Common Stock

Member of:
Executive, Audit, Special, and Compensation Committees

Mr. Stanfill is Co-Chairman, Co-Chief Executive Officer and a director of MGM-Pathe Communications Co. and of Pathe Communications Corporation. From August 1990 to December 31, 1991, he was Chairman and also Chief Executive Officer from August 1990 to October 27, 1991 of AME, Inc. Prior to August 1990, he was President of Stanfill, Bowen & Co., Inc., a private investment and venture capital firm. He is also a director of The Dial Corporation.

In April 1991, in connection with his retirement from the Company, Mr. Burnside received a distribution of 60,435 shares of Common Stock previously allocated to his account under the Company's profit sharing plan. The indirect ownership of these shares by Mr. Burnside had previously been reported on Form 4's filed with the Securities and Exchange Commission. This change in the form of his ownership from indirect ownership to direct ownership was reported on a Form 4 filed with the Securities and Exchange Commission in January 1992 in connection with a sale of shares of Common Stock by Mr. Burnside during December 1991, rather than in May 1991, the month following the change in the form of ownership of the distributed shares. The Form 4 filed in connection with the December 1991 sale was filed on a timely basis.

EXECUTIVE OFFICERS OF THE COMPANY

The following is a list of names and ages of all of the executive officers of the Company indicating all positions and offices with the Company held by each such person, each such person's principal occupations or employment during the past five years, and the expiration of each such person's term of office.

Name	Age	Office	Term Expiration(1)
Philip M. Hawley	66	Chairman of the Board and Chief Executive Officer	July 31, 1993
H. Michael Hecht	52	President	July 31, 1993
Robert A. Dourian	59	Executive Vice President	July 31, 1993
Edwin J. Holman	45	Executive Vice President	July 31, 1993
Larry G. Petersen	44	Executive Vice President, Chief Financial Officer	July 31, 1993
Brian L. Fleming	48	Senior Vice President, Chief Accounting Officer	July 31, 1993

(1) The Company has entered into employment contracts with term expirations as indicated. Under the Bankruptcy Code, these employment contracts are considered executory contracts that the Company may assume with Bankruptcy Court approval. The Company has not yet decided whether to assume these employment contracts.

Philip M. Hawley has served as Chairman and Chief Executive Officer of the Company since 1983.

H. Michael Hecht was appointed President of the Company in February 1991. From April 1990 to February 1991, he served as Executive Vice President. In addition, he served as Chairman and Chief Executive Officer of The Broadway-Southern California division of the Company from 1986 to February 1991.

Robert A. Dourian was appointed Executive Vice President of the Company in August 1990. From 1986 to August 1990, he was Executive Vice President, Personnel of The Broadway-Southern California division of the Company.

Edwin J. Holman was appointed Executive Vice President of the Company in January 1991. From 1985 to 1991, he served as Senior Vice President, Operations of the Company.

Larry G. Petersen was appointed Executive Vice President and Chief Financial Officer of the Company in March 1992. From October 1987 to March 1992, he served as Senior Vice President, Planning of the Company. From April 1985 to October 1987, he served as Vice President, Planning and Analysis of the Company.

Brian L. Fleming was appointed Senior Vice President, Accounting and Taxes of the Company in October 1987. From April 1985 to October 1987, he served as Vice President, Accounting of the Company.

ITEM 11. EXECUTIVE COMPENSATION

Executive compensation data relates to Fiscal 1991.

CASH COMPENSATION

The following table sets forth information as to the six most highly compensated executive officers of the Company and the total cash compensation paid to all executive officers as a group during fiscal 1991:

Name of Individual Or Persons in Group(1)	Capacities in Which Served	Cash Compensation(2)(3)
Philip M. Hawley	Chairman of the Board and Chief Executive Officer	$ 750,000
H. Michael Hecht	President	550,000
Robert J. Rieland (4)	Former Chairman and Chief Executive Officer of The Broadway-Southern California	497,000
Barbara Bass (4)	Former President and Chief Executive Officer of Emporium	450,000
Robert A. Dourian	Executive Vice President	350,000
Edwin J. Holman	Executive Vice President	350,000
Executive Officers as a group (9 persons) including those listed above		3,797,000

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(1) Executive officers included for this purpose are: Chairman of the Board, President, Executive Vice Presidents, certain Senior Vice Presidents and division Chief Executive Officers.

(2) Includes only amounts paid during fiscal 1991 as salary, bonuses, and cash compensation paid to certain executive officers for relocation purposes during the period in which they served as executive officers of the Company.

(3) The Company has entered into employment contracts with each of the named individuals. The contracts provide for, among other things, fixed terms, rates of compensation, and, in some cases, supplementary pensions, death benefits and disability payments. In some instances, the Company and the employee may extend the contract for additional annual terms after the expiration of the original term. Mr. Hawley's employment contract, originally entered into February 1, 1970, expires July 31, 1993. Mr. Hecht's employment contract, originally entered into on February 1, 1981, expires July 31, 1993. Mr. Dourian and Mr. Holman's employment contracts, originally entered into on October 15, 1986, and May 1, 1985, respectively, expire July 31, 1993. Mr. Holman's employment contract provides for a current base salary of $400,000. The Company has also entered into employment contracts with 2 other current executive officers. These contracts have multi-year terms, may be extended for additional annual terms, and provide for base salaries of $350,000 and $275,000. Under the Bankruptcy Code, these employment contracts are considered executory contracts which the Company may assume with Bankruptcy Court approval. The Company has not yet decided whether to assume these employment contracts.

The amounts shown in the cash compensation table do not include other personal benefits where the incremental cost to the Company of such personal benefits does not exceed the lesser of $25,000 or 10 percent of the cash compensation for each person named, or in the case of the group, does not exceed $25,000 multiplied by the number of executives or 10 percent of the cash compensation for the group.

Mr. Hawley and Mr. Hecht, as employees of the Company, receive no additional compensation for serving on the Board or for attending Board or Committee meetings. Directors who are not employees of the Company receive $22,000 per year plus $750 for each Board or Committee meeting attended. Directors may elect to defer all or part of these fees to later years. The amounts deferred may be placed in a cash credit account to which amounts equivalent to interest are credited or in stock credit accounts. No shares of Common Stock are distributed under this plan and participants have no rights as stockholders by virtue of their participation in this plan. This deferred compensation plan has been suspended while the Company is in Chapter 11. Directors who are not employees of the Company and who do not and have not had any vested interest in a retirement pension plan of the Company are eligible to participate in the Carter Hawley Hale Stores, Inc. Retirement Plan for Nonemployee Directors. Pursuant to such plan, each eligible director shall, upon retirement from the Board, generally be paid an amount per month equal to one-twelfth of the annual retainer in effect at the time of retirement for a period of months equal to the director's number of months of service as a nonemployee director. Participants are always 100% vested under this plan, but the benefits under this plan are forfeited if it is determined that the participant's service as a director was terminated for cause. Payments under this plan have been suspended while the Company is in Chapter 11. Directors who are not employees of the Company also receive a discount on purchases made at the Company's stores.

(4) In conjunction with the Consolidation, Mr. Rieland's and Ms. Bass's positions were eliminated.

COMPENSATION PURSUANT TO EMPLOYEE BENEFIT PLANS

Carter Hawley Hale 401(k) Investment Plan. The Company maintains the Carter Hawley Hale 401(k) Investment Plan (formerly the Profit Sharing Plan for Employees of Carter Hawley Hale Stores, Inc.) under which approximately 14,000 employees are eligible (the "401(k) Investment Plan"). Participating employees who are not highly compensated employees for purposes of Section 414(q) of the Internal Revenue Code of 1986, as amended, may elect to contribute from 2 percent to 12 percent of their compensation in whole percentages. Participating employees who are highly compensated employees may only elect to contribute from 2 percent to 6 percent of their compensation. However, in no case may any employee contribute more than $8,728 for calendar year 1992. Employee contributions are made by salary reductions. Such amounts historically were utilized to purchase shares of Common Stock that were allocated to the accounts of participating employees. Employee contributions to the Profit Sharing Plan were suspended due to the Filing, and all active employees became 100 percent vested in the Company's contributions allocated to their accounts as of the Petition Date. A prepetition claim of $.9 million has been filed on behalf of the Profit Sharing Plan for Company contributions accruing to the Profit Sharing Plan for the period October 1, 1990 through the Petition Date. The plan was reinstated effective October 1, 1991, without a matching Company contribution, and renamed the Carter Hawley Hale 401(k) Investment Plan. Participants' contributions are invested in a limited risk investment fund which invests in fixed income government and corporate securities of the highest quality with maturities not in excess of two years. Amounts previously used to purchase shares of Common Stock remain in participants'

accounts as shares of Common Stock. All investments pursuant to participating employee's salary reduction elections are fully (100 percent) vested at all times. Participant accounts may not be withdrawn except in the event of termination of employment or certain other events. The Trustee under the 401(k) Investment Plan, Bank of America NT & SA, is the record owner of all shares of Common Stock held in the 401(k) Investment Plan, although participants are entitled to vote shares of Common Stock allocated to their accounts by instructing the Trustee.

Deferred Compensation Plans. During the fiscal year ended February 1, 1992, the Company maintained three deferred compensation plans for its employees, the 1976 Deferred Compensation Plan, the Management Deferred Compensation Plan and the Deferred Compensation Plan for Executives.

Under these plans, 452 key eligible employees of the Company are entitled to defer, to later years, receipt and taxation of up to 50 percent of salary. The amounts deferred are recorded in a cash credit account to which amounts equivalent to interest are credited. Deferrals under the 1976 Deferred Compensation Plan and the Deferred Compensation Plan for Executives, which were recorded in stock credit accounts, continue to be credited with amounts equivalent to dividends on that stock. No shares of Common Stock have been distributed under these plans and participants have no rights as stockholders by virtue of their participation in such plans. Employee deferrals under these plans have been suspended during the Company's Chapter 11 proceedings. In connection with the 1987 Restructuring, an employee benefits agreement was entered into with The Neiman Marcus Group. Under the terms of the agreement, The Neiman Marcus Group unconditionally guaranteed all unfunded liabilities which had accrued prior to the effective date of the 1987 Restructuring, under the Company's deferred compensation and nonqualified pension plans. The agreement provides that this guarantee shall continue in effect until the Company's net worth exceeds $300 million. During fiscal 1991, under the terms, of the agreement, The Neiman Marcus Group made payments totalling $2.7 million to eligible deferred compensation plan participants.

Long-Term Incentive Compensation Plan, Nonqualified Stock Option Plan and 1985 Stock Incentive Plan. Approximately 90 key executives of the Company hold stock options under the Company's Long-Term Incentive Compensation Plan (the "Long-Term Plan"), Nonqualified Stock Option Plan (the "Nonqualified Plan") and 1985 Stock Incentive Plan (the "1985 Plan") (collectively, the "Stock Option Plans"). These stock options were issued at an exercise price equal to the market price of the Common Stock on the date of grant of the option. Pursuant to the 1987 Restructuring, each of the Stock Option Plans were amended to provide that, with respect to active employees of the Company, each outstanding stock option held immediately prior to the 1987 Restructuring was converted into an option only for Common Stock, with the number of shares of Common Stock and exercise prices relating to such stock options adjusted to reflect the trading prices of the Common Stock and The Neiman Marcus Group Common Stock after the 1987 Restructuring. Such stock options may be exercised by the payment of cash or by a loan, in the discretion of the Compensation Committee, up to ten years from the date of grant in accordance with a schedule determined by the Compensation Committee.

No stock options or other awards have been granted under the Stock Option Plans following the 1987 Restructuring. No stock options were exercised during the current year by any executive officers.

1987 Stock Incentive Plan. As part of the 1987 Restructuring, the stockholders approved the 1987 Stock Incentive Plan (the "1987 Plan"). The 1987 Plan authorizes the Compensation Committee to grant to eligible employees of the Company stock options (with or without related limited stock appreciation rights), restricted stock awards and stock purchase rights with respect to an aggregate of up to 2,250,000 shares of Common Stock. Such grants can be made at any time through and including March 31, 1997.

Stock options may be exercised (i) by payment of cash or (ii) in the discretion of the Compensation Committee, by delivery of restricted or unrestricted shares of Common Stock, or (iii) by means of a loan. The stock options granted under the 1987 Plan are non-statutory stock options. Shares of Common Stock issued under restricted stock awards are issued to an employee without any payment to the Company, and vesting in the stock awarded is subject to the holder's continued employment with the Company for specified periods of time. Stock purchase rights entitle the recipients to purchase shares of Common Stock at their fair market value on the purchase date (with respect to initial awards granted as of the effective time of the 1987 Restructuring, in which case the fair market value was deemed to be equal to the Trading Price of Department Shares during the Adjustment Period as defined in the Proxy Statement/Prospectus of the Company dated July 28, 1987). Payment upon exercise of a stock purchase right may be by cash or a loan for a term of up to six years, with or without recourse against the participant, and shall be in an amount up to but not exceeding the purchase price less the par value of the shares of Common Stock purchased.

In connection with the exercise of stock purchase rights, certain individuals named in the Cash Compensation table and certain other current executive officers executed non-recourse notes to the Company dated as of August 27, 1987 with an interest rate of 8.2 percent per annum and six-year terms. In these transactions, Mr. Hawley purchased 110,000 shares of Common Stock and executed a note for \$1,501,775; Mr. Holman purchased 20,000 shares of Common Stock and executed a note for \$273,000; Mr. Hecht purchased 30,000 shares and executed a note for \$409,575; and Mr. Dourian purchased 7,000 shares and executed a note for \$95,567. Certain other current executive officers purchased a total of 20,000 shares of Common Stock and executed notes totalling in the aggregate \$273,000. Interest accrues on these notes and is payable in full when the principal is payable. All of these notes are presently outstanding. All shares issued upon exercise of the stock purchase rights are being held by the Company as collateral for the notes. To date no payments have been made on any of these notes.

During the fiscal year ended February 1, 1992, there were no grants of restricted stock, stock purchase rights or stock options under the 1987 Plan to any executive officers.

Pension Plans. The Company maintains a pension plan under which all employees, other than employees covered by pension plans of applicable labor unions, are eligible to participate after a certain period of service. The Company makes annual contributions to the plan based upon the funding standards of the Employee Retirement Income Security Act of 1974, as amended. Benefits for the approximately 14,500 eligible employees were based on a percentage of each participant's total annual wages, salaries, and bonuses. Earnings for pension plan purposes do not include any amounts that may be deferred under the deferred compensation plans and amounts earned under the 401(k) Investment Plan. Benefits accrued by each participant become fully vested after five years and are payable to the participant only upon such participant's retirement or other termination of employment. Company contributions to the pension plans have continued subsequent to the Filing. Bankruptcy Court approval was requested and granted for such contributions which came due or related to periods prior to the Petition Date.

In addition, the Company also maintains a supplemental executive retirement plan (the "SERP") that presently covers approximately 214 executive employees including those employees whose annual base salary rate is \$74,800 or more and those previously eligible, who were grandfathered. Such annual base salary rate is indexed to the social security wage base and is, therefore, adjusted annually. Benefits are based on a percentage of average compensation for the five highest of the final ten years employment, less 50 percent of age 65 social security benefits and less benefits paid under the pension plan and certain supplemental payments under individual employment contracts. For the purpose of the SERP, earnings include any amounts which may be deferred under the deferred compensation plans. Benefits generally are computed on a straight life annuity basis. In addition, certain executives have individual

employment contracts providing for supplemental payments. Payments under the SERP and the individual employment contracts are currently suspended due to the Company's Chapter 11 proceedings. During fiscal 1991, under the terms of the employee benefits agreement described in the "Deferred Compensation Plan" section of this Item, The Neiman Marcus Group made payments totalling $2.6 million to eligible SERP participants and to retired executives with individual employment contracts.

The following table sets forth total pension benefits payable to executive employees covered by the SERP, including the six most highly compensated executive officers. Benefits shown on the table include benefits from all Company-provided pension plans plus 50 percent of estimated social security benefits at age 65. Benefits are reduced if they begin prior to age 62. The estimated years of credited service at age 65 are 32 for Mr. Hawley; 10 for Mr. Dourian; 30 for Mr. Holman; and 29 for Mr. Hecht.

Compensation	Annual Pension Benefits Based on Years of Service			
	15	20	25	30 or more
$100,000	$ 25,000	$ 33,333	$ 41,667	$ 50,000
200,000	50,000	66,667	83,333	100,000
300,000	75,000	100,000	125,000	150,000
400,000	100,000	133,333	166,667	200,000
500,000	125,000	166,667	208,333	250,000
600,000	150,000	200,000	250,000	300,000
700,000	175,000	233,333	291,667	350,000
800,000	200,000	266,667	333,333	400,000

Executive Incentive and Retention Plan and Special Severance Pay Plan. Under the executive incentive and retention plan approved by the Bankruptcy Court on June 17, 1991, approximately 200 of the Company's most experienced senior employees would have received a bonus payment if the Company had reached certain financial targets for the fiscal year ended February 1, 1992. Because these financial targets were not met, no bonus awards were made under this plan. For fiscal 1992, the amount of bonuses payable under this plan and type of financial objective which must be satisfied prior to payment of any such bonus, will vary according to the executive's functional duties and responsibilities.

Under the special severance pay plan, also approved by the Bankruptcy Court on June 17, 1991, certain specified officers would receive an unconditional lump sum payment equal to six-months base salary if involuntarily terminated due to a job elimination. Two such officers were subsequently terminated due to job eliminations. The remaining group of corporate and divisional officers, middle managers, buyers, and senior store staffers would receive an unconditional lump sum payment equal to three-months salary if involuntarily terminated due to a job elimination. This plan also entitles participants to additional severance benefits ranging from an amount equal to three months to eighteen months base salary in the event that such participants are involuntarily terminated and do not find new employment prior to expiration of such period; provided, however, that each severed employee would only be entitled to severance benefits equal to the greater of (i) the benefits payable under the special severance pay plan, and (ii) certain prepetition severance programs maintained by the Company. Approximately 150 employees covered by this plan were subsequently terminated due to job eliminations.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

As of March 15, 1992, Messrs. Hawley and Burnside owned 3.8 percent and 2.0 percent, respectively (including shares of Common Stock subject to options granted under the Company's stock option plans which are exercisable within 60 days of March 15, 1992 (the "Option Shares")), of the outstanding shares of Common Stock. No other director beneficially owned in excess of 1 percent of the outstanding shares of Common Stock.

The following table furnishes information as of March 15, 1992 (except with respect to information relating to McCullough, Andrews & Cappiello, Inc. which is as of December 31, 1991), as to each person known to the Company to be the beneficial owner of more than 5 percent of the outstanding shares of Common Stock and all directors and officers as a group.

Name and Address[1]	Number of Shares Beneficially Owned	Type of Security	Percent of Class[2]
McCullough, Andrews & Cappiello, Inc. . . . . 101 California Street, #4250 San Francisco, California 94111	2,039,600[3]	Common	6.3%
All officers and directors as a group (35) persons . .	3,447,114[4]	Common	10.6%

(1) The 401(k) Investment Plan holds 10,842,591 shares of Common Stock, representing 33.3 percent of the shares of Common Stock outstanding including Option Shares. Bank of America NT & SA, in its capacity as Trustee under the 401(k) Investment Plan, has disclaimed beneficial ownership of such shares. Participants in the 401(k) Investment Plan exercise voting power and limited power of disposition over the shares allocated to their respective accounts in the 401(k) Investment Plan. Allocated shares as to which the Trustee has not received voting instructions from such participants are not voted. Shares unallocated to participants' accounts are voted by the Trustee in the same proportion as allocated shares are voted by the Trustee, pursuant to instructions from participants in the 401(k) Investment Plan.

(2) Outstanding shares include 2,172,686 Option Shares granted under the Company's stock option plans to certain employees including officers and directors.

(3) Based on public filings with the Securities and Exchange Commission, as of December 31, 1991, McCullough Andrews & Cappiello, Inc. was the beneficial owner of 2,039,600 shares of Common Stock, which constitutes approximately 6.3 percent of the outstanding shares of Common Stock including Option Shares. McCullough, Andrews & Cappiello, Inc. reports that it has sole voting power and sole investment power with respect to all 2,039,600 shares beneficially owned.

(4) All officers and directors included within the group have sole voting and investment power with respect to these shares, except with respect to 1,615,803 Option Shares.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

See "ITEM 11. EXECUTIVE COMPENSATION", regarding employment contracts with executive officers and non-recourse promissory notes executed by executive officers in connection with the exercise of stock purchase rights under the 1987 Plan.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this report:

(1) Financial Statements

The consolidated financial statements of the Company are set forth in the "INDEX TO FINANCIAL STATEMENTS" on page 36.

(2) Financial Statement Schedules

Financial Statement Schedules, except those indicated in the "INDEX TO FINANCIAL STATEMENTS" on page 36, have been omitted because the required information is included in the financial statements or financial review, or the amounts are not significant.

(3) Exhibits

Exhibits are as set forth in the "INDEX TO EXHIBITS" on page 80.

(b) Reports on Form 8-K

The following report on Form 8-K was filed with the Securities and Exchange Commission during the quarter ended February 1, 1992:

Date of Report	Item Reported
December 31, 1991	Information regarding an agreement with The Prudential Insurance Company of America with respect to outstanding mortgage debt due Prudential by the Company.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 1st day of April, 1992.

CARTER HAWLEY HALE STORES, INC.

By: P.M. HAWLEY
P. M. Hawley
Chairman and Chief Executive Officer

POWER OF ATTORNEY

Each person whose signature appears below hereby authorizes Larry G. Petersen, Brian L. Fleming, and James L. Vandeberg, and each and any of them, as attorneys-in-fact and agents, with full powers of substitution, to sign on his or her behalf, individually and in the capacities stated below, and to file any and all amendments to this Annual Report on Form 10-K with the Securities and Exchange Commission, granting to said attorneys-in-fact and agents full power and authority to perform any other act on behalf of the undersigned required to be done in the premises.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
P.M. HAWLEY P. M. Hawley	Chairman of the Board And Director (Principal Executive Officer)	April 1, 1992
LARRY G. PETERSEN Larry G. Petersen	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	April 1, 1992
BRIAN L. FLEMING Brian L. Fleming	Senior Vice President, Accounting and Taxes (Principal Accounting Officer)	April 1, 1992
CAROLINE L. AHMANSON Caroline L. Ahmanson	Director	April 4, 1992
NORMAN BARKER, JR. Norman Barker, Jr.	Director	April 1, 1992

Signature	Title	Date
WALDO H. BURNSIDE Waldo H. Burnside	Director	April 1, 1992
EDWARD W. CARTER Edward W. Carter	Director	April 1, 1992
MYRON DU BAIN Myron Du Bain	Director	April 1, 1992
WALTER B. GERKEN Walter B. Gerken	Director	April 1, 1992
PRENTIS C. HALE Prentis C. Hale	Director	April 13, 1992
H. MICHAEL HECHT H. Michael Hecht	Director	April 1, 1992
LELAND C. McGRAW Leland C. McGraw	Director	April 1, 1992
DONN B. MILLER Donn B. Miller	Director	April 9, 1992
SIDNEY R. PETERSEN Sidney R. Petersen	Director	April 1, 1992
DENNIS C. STANFILL Dennis C. Stanfill	Director	April 1, 1992

CARTER HAWLEY HALE STORES, INC.
(Debtor-in-Possession)

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of
Carter Hawley Hale Stores, Inc.

In our opinion, the consolidated financial statements listed in the Index appearing on page 36 present fairly, in all material respects, the financial position of Carter Hawley Hale Stores, Inc. and its subsidiaries at February 1, 1992 and February 2, 1991, and the results of their operations and their cash flows for the year ended February 1, 1992, for the twenty-six week period ended February 2, 1991, and for each of the two fiscal years in the period ended August 4, 1990, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As described in the Reorganization and Basis of Reporting section of the Summary of Significant Accounting Policies, on February 11, 1991 the Company filed a petition for reorganization relief under Chapter 11 of the Bankruptcy Code. Management continues to operate the Company as a debtor in possession while a plan of reorganization is formulated. The plan of reorganization will be subject to approval by creditors and shareholders and will require confirmation by the Bankruptcy Court. The accompanying financial statements have been prepared using accounting principles applicable to a going concern, which assumes realization of assets and settlement of liabilities in the normal course of business. The uncertainties inherent in the bankruptcy process raise substantial doubt about the Company's ability to continue as a going concern in its present form. In connection with the bankruptcy proceedings, the Company may sell or otherwise dispose of assets and liquidate or settle liabilities for amounts other than those reflected in the accompanying consolidated financial statements. As discussed under the Reorganization and Basis of Reporting section of the Summary of Significant Accounting Policies, the Company has accrued certain costs associated with asset dispositions related to the bankruptcy. Additional liabilities may arise as a result of claims filed by parties affected by the Company's rejection of executory contracts and from the determination by the Bankruptcy Court of allowed claims for contingencies and other disputed amounts. The financial statements do not give effect to such additional adjustments to the carrying value of assets, or amounts and classification of liabilities that might be necessary as a consequence of the bankruptcy proceedings.

As discussed in the Changes in Accounting Policies section of the Summary of Significant Accounting Policies, the Company changed its method of accounting for other post-employment benefits in fiscal 1991, its method of accounting for pension obligations in fiscal 1990, and its method of accounting for income taxes in fiscal 1989. We concur with the changes in accounting.

PRICE WATERHOUSE

Los Angeles, California
April 21, 1992

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Prospectus of Carter Hawley Hale Stores, Inc. constituting part of: (1) Post-effective Amendment No. 15 to Registration Statement on Form S-8 (No. 2-42202), (2) Post-effective Amendment No. 9 to Registration Statement on Form S-8 (No. 2-68101), (3) Post-effective Amendment No. 7 to Registration Statement on Form S-8 (No. 2-68102), (4) Post-effective Amendment No. 3 to Registration Statement on Form S-8 (No. 2-98321), (5) Post-effective Amendment No. 2 to Registration Statement on Form S-8 (No. 33-16178), and (6) Post-effective Amendment No. 4 to Registration Statement on Form S-8 (No. 33-18846) of our report dated April 21, 1992 appearing on page 37 of this Form 10-K.

PRICE WATERHOUSE

Los Angeles, California
April 29, 1992

CARTER HAWLEY HALE STORES, INC.
(Debtor-in-Possession)

Management's Discussion and Analysis of Financial Condition and Results of Operations

FINANCIAL CONDITION

Reorganization

Retail industry sales during the 1990 fall season were significantly affected by a generally weak economic environment. The Company's sales performance during this period was below expectations and fell behind comparative levels for the prior year. During this same period the Company completed the sale of Thalhimer Brothers, Inc. ("Thalhimers"). In connection with the sale, the Company received $317.0 million, of which $187.8 million was utilized to extinguish debt secured by Thalhimers' assets and stock. The remaining funds were utilized for general corporate purposes. The Company's liquidity problems worsened, however, due to changes in the retail business. In response to the general decline in holiday retail sales, the retail industry experienced a general tightening of trade credit terms. This, together with the increasing concern about the Company's ability to satisfy its debt service requirements, significantly restricted the Company's ability to replace its working capital facility following the sale of Thalhimers.

In response to its deteriorating liquidity position, on February 11, 1991, the Company filed for protection from its creditors under Chapter 11 of the Bankruptcy Code. The Company is managing its affairs and operating its business as debtor in possession while a plan of reorganization is formulated. The Filing prevents the Company's prepetition creditors from enforcing their prepetition claims. Until a reorganization plan is confirmed by the Bankruptcy Court, payments of prepetition liabilities will be limited to those payments approved by the Bankruptcy Court. As a result, the Company has received temporary relief from satisfying substantially all of its liabilities outstanding as of February 10, 1991. The Bankruptcy Court established November 29, 1991 as the bar date by which, with some exceptions, all creditors whose claims arose prior to the Petition Date were to file proofs of claim with the Bankruptcy Court or be barred from asserting any claim against the Company and voting on or receiving distributions under a reorganization plan. The Company is actively negotiating with creditors to reconcile and resolve the balance of disputed claims totalling approximately $500 million. A significant portion of this amount is comprised of disputed claims that, in the opinion of management, will not result in additional liability to the Company. During the fourth quarter of 1991, the Company recorded $25 million of additional liabilities for settlement of certain prepetition trade claims. The additional liability, if any, relating to the remainder of outstanding disputed claims is not subject to reasonable estimation. Consistent with generally accepted accounting principles, the Company has not recognized any additional liabilities related to these claims. The Company will recognize additional liabilities, if any, related to the outstanding disputed amounts as these amounts become subject to reasonable estimation. In addition, during the fourth quarter of 1991, the Company recorded valuation adjustments to reflect the impact of the Reorganization Case on the Company's ability to realize certain assets. These amounts, totalling $9 million, are included in reorganization costs.

Liquidity and Capital Resources

The general reestablishment of trade credit terms subsequent to the Filing, coupled with the automatic stay that arose on the Petition Date, resulted in an improvement in the Company's liquidity. Further liquidity enhancement resulted from the release of restricted cash deposits held as collateral for outstanding letters of credit issued under a temporary facility which was terminated subsequent to the Filing.

In connection with the Chapter 11 proceeding, the Company entered into debtor-in-possession and receivables based financing arrangements with Chemical Bank. The arrangements provided for aggregate financing of $800.0 million, consisting of a $250.0 million unsecured Working Capital Facility and a $550.0 million Interim Receivables Facility which was subsequently replaced with a permanent Receivables Securitization Facility. The Bankruptcy Court has entered orders approving each of these facilities. The financing provided by the Working Capital Facility and the Receivables Securitization Facility is being utilized for general corporate purposes and is expected to provide sufficient liquidity to satisfy the Company's requirements during the Reorganization Case.

On December 31, 1991, the Company reached an agreement (the "Prudential Settlement Agreement") with The Prudential Insurance Company of America ("Prudential") with respect to the $344.0 million of outstanding notes (the "Existing Notes") in favor of Prudential under the Prudential Prepetition Credit Agreement. The Prudential Settlement Agreement, which has been approved by the Bankruptcy Court, contemplates that if the Company should emerge from Chapter 11 prior to expiration of the Prudential Settlement Agreement, the maturity of Prudential's Existing Notes will be extended for approximately five years to December 2002 or, if earlier, the tenth anniversary of the Company's emergence from Chapter 11.

The Prudential Settlement Agreement provides that Prudential will be paid in full all principal and accrued interest due under the Existing Notes. Principal payments on the Existing Notes will commence on the fifth anniversary of the Company's emergence from Chapter 11. In addition, certain interest which accrued from the Petition Date through May 31, 1992 (estimated at $52 million) will be capitalized in a nine percent note (the "Accrued Interest Note") with principal payments commencing on the fifth anniversary of the Company's emergence from Chapter 11 and continuing in equal installments over the remaining life of the Accrued Interest Note. Further, a portion of the interest accruing on the Existing Notes for the first two years following the Effective Date of a plan of reorganization (estimated at $24 million) will be capitalized under and paid in accordance with the amortization schedule for the Accrued Interest Note.

The accompanying financial statements do not reflect the impact of the above provisions which become effective only upon the Company's emergence from Chapter 11 pursuant to a reorganization plan containing certain terms specified in the Prudential Settlement Agreement.

Prudential has agreed, subject to certain conditions, to vote for a reorganization plan proposed by the Company containing the foregoing and certain other terms. The Prudential Settlement Agreement also provides that Prudential and the Company will suspend all existing litigation between them until at least December 1, 1992, and effects minor amendments to the existing loan provisions.

The Prudential Settlement Agreement will generally terminate on June 15, 1993, subject to earlier termination under certain circumstances.

During fiscal 1992, the Company intends to initiate a store modernization program with funds which will include up to $50 million to be provided under the Postpetition Store Modernization Facility arranged with Zell/Chilmark Fund, L.P. (the "Fund"). This Facility provides for restricted use borrowings to finance store modernization approved by the Fund. Under the terms of the Company's Postpetition Credit Agreement, waivers will be required from the Postpetition Lenders prior to the Company incurring capital expenditures in excess of $20.0 million during fiscal 1992.

In connection with the development of a confirmable plan of reorganization, the Company is currently pursuing negotiations with potential lenders for suitable working capital and accounts receivable financing facilities to replace the present Working Capital Facility and Receivables Securitization Facility upon the effectiveness of a plan of reorganization.

In light of the Filing, the Company significantly reduced its fiscal 1991 capital expenditure program. Restrictions on such expenditures have also been imposed under the terms of the Postpetition Credit Agreement. Capital expenditures amounted to $34.9 million in fiscal 1991, compared to $38.0 million in the 26 week transition period ended February 2, 1991 (the "Transition Period"), $83.2 million in fiscal 1990, and $75.8 million in fiscal 1989.

RESULTS OF OPERATIONS

Overview

The results of operations during the three and one-half years ended February 1, 1992 include substantial non-recurring or unusual charges. The loss from operations of $170.1 million in the current year compares to a loss of $99.7 million for the comparable 52 week period ended February 2, 1991. The current year loss includes $138.1 million of reorganization costs comprised of a $65.0 million provision for the consolidation of the Company into a single operating entity, a $34.0 million charge for settlement of certain disputed prepetition trade claims and valuation adjustments to reflect the effect of the Reorganization Case on the amounts realized for certain assets, $29.4 million in professional fees and other charges directly related to the Chapter 11 proceedings, and a $9.7 million charge to write-off unamortized debt issue costs related to the Company's subordinated debt. The loss for the comparative 52 week period ended February 2, 1991 includes a charge of $47.0 million for costs associated with certain functional consolidations and the consolidation of the administrative functions of the Company's Emporium and Weinstocks divisions and a charge of $40.0 million for estimated costs associated with certain store and facility closings resulting from the Chapter 11 proceedings. The LIFO inventory method resulted in a charge of $5.2 million in the current year as compared to a charge of $24.9 million in the comparative 52 week period ended February 2, 1991.

The loss from operations for the Transition Period of $73.5 million compares to income from operations of $16.7 million for the comparable 27 week period ended February 3, 1990. The Transition Period loss includes the same $87.0 million of unusual charges reported in the 52 week period ended February 2, 1991. The LIFO inventory method resulted in a charge of $4.7 million in the Transition Period as compared to $2.0 million in the comparable prior year period. In addition, the results for the comparative prior year period included an additional week of operations based upon the Company's fiscal period.

The loss from operations of $9.5 million in fiscal 1990 compares to income from operations of $7.4 million in fiscal 1989. The 1990 results include a charge of $22.2 million for the effect of the LIFO inventory method as compared to a charge of $.3 million in 1989. The 1990 decision to consolidate certain corporate buying programs and the 1989 transfer of administration of group buying programs to The Associated Merchandising Corporation, an independent retail organization, resulted in charges of $12.1 million and $6.0 million in 1990 and 1989, respectively.

The charges noted above were partially offset by certain non-recurring or unusual credits. The results for both the 52 and 26 week periods ended February 2, 1991 include a gain of $30.0 million related to the sale of Thalhimers. In fiscal 1990, the Company also recognized interest income of $12.7 million related to the settlement of certain Internal Revenue Service examinations and a gain of $7.3 million from asset sales.

Excluding the effects of LIFO and the unusual items identified above, earnings before interest expense and income taxes were $75.5 million in the current year compared to $101.6 million in the comparable 52 week period ended February 2, 1991. On an equivalent basis, earnings for the Transition Period and the comparable 27 week period ended February 3, 1990 were $46.0 million and $121.5 million, respectively, and for the fiscal years ended August 4, 1990 and July 29, 1989 were $177.1 million and $179.1 million, respectively.

Sales

Sales during the current year decreased 16.0 percent as compared to the 52 week period ended February 2, 1991. The decrease was attributable to the disruption of inventory flows surrounding the Petition Date, the continuing recessionary retail environment experienced in the Company's primary markets throughout the current year, and the sale of Thalhimers, whose sales were included during the first six months of the comparative prior year period. On a comparable store and period basis, sales for the current year decreased 9.9 percent compared to the prior year.

During the Transition Period, sales decreased 19.8 percent as compared to the comparable prior year period. The decrease was largely attributable to Thalhimers' sales included in the prior year. In addition, the prior year period comprised 27 weeks compared with the 26 weeks included in the Transition Period. On a comparable store and period basis, Transition Period sales decreased 3.5 percent from the prior year's level, reflecting the impact of the generally weak retail environment. In addition, uncertainty about the Company's liquidity resulted in a restriction of shipments from certain vendors during the 1990 fall season. The reduction in the Company's receipt of merchandise impacted inventory levels and sales performance during the 1990 holiday season.

Sales for fiscal 1990 were $2.9 billion, an increase of 2.5 percent as compared to fiscal 1989. The 1990 sales were adversely impacted by the closure of the downtown Oakland store, which sustained significant damage during the October 1989 San Francisco Bay area earthquake and did not reopen until August 1990. Excluding the sales for the Oakland store, total sales increased 3.8 percent and comparable store sales increased 2.0 percent as compared to the prior year.

Costs and Expenses

Cost of goods sold, as a percent of sales, remained relatively unchanged at 74.3 percent of sales for the current year as compared to 74.4 percent for the comparable 52 week period ended February 2, 1991. A lower LIFO charge and an improvement in gross margin for the current year were largely offset by the effect of allocating fixed occupancy costs over a lower total sales volume this year.

Cost of goods sold, as a percent of sales, was 74.7 percent for the Transition Period as compared to 72.1 percent for the comparable prior year period. The generally weak economic conditions and highly competitive retail environment during the 1990 fall season resulted in a significant increase in markdowns during that period.

Cost of goods sold, as a percent of sales, for the fiscal year ended August 4, 1990 was 73.0 percent as compared to 71.8 percent in 1989. The increase in the percentage was the result of the significant inflation effect in 1990 on the LIFO method of inventory valuation and an increase in markdowns in response to an increasingly competitive retail market.

Selling, general, and administrative expenses decreased $94.4 million, from $570.9 million in the 52 week period ended February 2, 1991 to $476.5 million in the current year, reflecting both the impact of the cost reduction programs initiated in November 1990 and the sale of Thalhimers. Selling, general, and administrative expenses, as a percent of sales, decreased to 22.4 percent in the current year as compared to 22.5 percent for the comparable 52 week period ended February 2, 1991. The impact of the cost reductions, as a percentage of sales, was limited by lower sales in the current year.

Selling, general, and administrative expenses decreased $46.8 million, from $339.0 million in the 27 weeks ended February 3, 1990 to $292.2 million in the Transition Period, reflecting the sale of Thalhimers, the impact of cost reduction programs initiated in November 1990, and the inclusion of an additional week in the comparable prior year period. These factors were partially offset by the effects of stores opened during the Transition Period and inflation. As a percentage of sales, costs increased 1.6 percent to 22.2 percent in the Transition Period compared to 20.6 percent in the prior year period. The increase in selling, general, and administrative expenses as a percentage of sales reflects lower sales levels during the Transition Period.

Selling, general, and administrative expenses, as a percent of sales, decreased to 21.6 percent in fiscal 1990 as compared to 21.8 percent in 1989. This improvement resulted from increased finance charge revenue from the Company's credit card operations, which was partially offset by increases in selling and sales promotion expense, in response to increased competitive pressures, and increases in bad debt expense, related to the changes in the Company's customer accounts receivable portfolio.

Interest Expense

Net interest expense decreased $42.7 million, from $145.0 million in the 52 week period ended February 2, 1991 to $102.3 million in the current year, reflecting the effect of ceasing to accrue interest expense and amortization of related debt issue costs subsequent to the Petition Date on $350.0 million of subordinated debt. Unaccrued interest on the subordinated debt amounted to $42.5 million in the current year. Unamortized subordinated debt issue costs, which totaled $9.7 million as of the Petition Date, were charged to reorganization costs in the fourth quarter of the current year, as a result of the claims relating to the subordinated debt being allowed pursuant to the provisions of the Bankruptcy Code.

Interest expense for the Transition Period amounted to $71.0 million, a decrease of $16.6 million as compared to the comparable 1990 period. The reduction reflects interest savings on debt retirements directly related to the sale of Thalhimers, the effect of other reductions in borrowings, and generally lower interest rates.

Interest expense for 1990 was $174.2 million, an increase of 8.7 percent as compared to 1989. This higher level of interest expense was attributable to increased borrowings required to finance the growth in receivables generated by the Company's credit card operations.

Income Taxes

The Company recorded no income tax benefit from operations in the current year compared to a benefit based on an effective rate of 15.2 percent during the Transition Period. In both periods the ability to record tax benefits was affected by limitations on the Company's ability to utilize net operating loss carryforwards. The Company's ability to recognize an income tax benefit for net operating losses in future periods will be subject to similar limitations. As a result, the Company anticipates the tax benefit for future net operating losses will be minimal.

The $13.2 million income tax benefit for the Transition Period compares to an income tax provision of $11.1 million, based on an effective rate of 40 percent, for the comparable prior year period. The 40 percent tax rate for the comparable period was based on a projected effective rate for the fiscal year ended August 4, 1990. The actual 1990 income tax benefit of $2.0 million, reflected an effective rate of 17.4 percent as a result of the effect of state income taxes for which there are limited net operating loss carryovers. The $5.0 million income tax provision for 1989 reflected an effective rate of 40.3 percent.

Net Earnings

The net loss for the current year of $217.0 million, a loss of $7.51 per share, compares to a loss of $119.7 million, a loss of $4.26 per share, for the comparable 52 week period ended February 2, 1991. The current year net loss includes an extraordinary charge of $16.9 million resulting from the early extinguishment of debt and a charge of $30.0 million, net of tax, resulting from a change in the method of accounting for postretirement medical and other benefits as a result of the adoption of Statement of Financial Accounting Standards No. 106 "Employers Accounting for Postretirement Benefits Other than Pensions". The comparative prior year period loss included extraordinary charges of $14.1 million, net of tax, resulting from the early extinguishment of debt and $6.0 million relating to uninsured losses associated with the October 1989 San Francisco Bay area earthquake.

The net loss for the Transition Period of $87.6 million, a loss of $3.04 per share, compares to net income of $6.2 million, income of $.26 per share, for the comparable prior year period. The Transition Period net loss includes an extraordinary charge of $14.1 million, net of tax, resulting from the early extinguishment of debt. Net income for the comparable prior year period includes an extraordinary charge of $10.5 million, net of tax, for uninsured losses resulting from the October 1989 earthquake.

The net loss for 1990 of $26.0 million, a loss of $1.03 per share, compares to net earnings of $13.5 million, income of $.62 per share, in 1989. The 1990 net loss includes an extraordinary charge of $16.5 million, net of tax, related to the uninsured loss associated with the October 1989 earthquake. This loss includes physical damage related to and business interruption resulting from the earthquake.

Net earnings for 1989 include an extraordinary charge of $9.2 million, net of tax, for the write-off of unamortized costs primarily associated with the early retirement of debt in conjunction with the establishment of an accounts receivable securitization facility. The 1989 extraordinary charge was offset by a credit of $15.3 million, net of tax, resulting from a change in the method of accounting for income taxes as a result of the adoption of Statement of Financial Accounting Standards No. 96 "Accounting for Income Taxes."

Inflation

The effect of inflation on the Company's sales is, in the opinion of management, most closely approximated by the Department Store Inventory Price Index published by the Bureau of Labor Statistics. This index increased 2.3 percent during the current year compared to a 3.5 percent increase in the comparable prior year period. For the Transition period, the index increased 1.2 percent as compared to an increase of .7 percent in the comparable prior year period. For 1990, the index increased 3.0 percent as compared to 1.3 percent in 1989.

Recent Accounting Pronouncements

In February 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes". Under the new standard, a deferred tax liability will be recognized for taxable temporary differences and deferred tax assets will be recognized for deductible temporary differences, tax credit carryforwards, and operating loss carryforwards. A valuation allowance would be established to reduce deferred tax assets if it is more likely than not that all, or some portion, of such deferred tax assets will not be realized. Adoption of the new standard is required for years beginning after December 15, 1992. The Company has not yet adopted the new standard and the impact of adoption on the Company's consolidated financial statements, if any, has not been determined.

CARTER HAWLEY HALE STORES, INC.
(Debtor-in-Possession)

Consolidated Statement of Earnings

(in thousands except per share data)	Year Ended February 1, 1992 (52 weeks)	Year Ended February 2, 1991 (unaudited) (52 weeks)	Period Ended February 2, 1991 (26 weeks)	Period Ended February 3, 1990 (unaudited) (27 weeks)	Year Ended August 4, 1990 (53 weeks)	Year Ended July 29, 1989 (52 weeks)
Sales	$2,127,917	$2,532,749	$1,318,565	$1,643,635	$2,857,819	$2,787,393
Cost of goods sold, including occupancy and buying costs	1,581,144	1,885,152	985,018	1,185,210	2,085,344	2,001,188
Selling, general, and administrative expenses	476,520	570,854	292,241	338,967	617,580	607,441
Provision for consolidation programs		47,000	47,000			
Gain on sale of Thalhimers		(30,000)	(30,000)			
Other expense		681		4,150	4,831	6,000
Interest expense, net	102,288	144,982	71,046	87,598	161,534	160,344
Earnings (loss) from operations before reorganization costs and income taxes	(32,035)	(85,920)	(46,740)	27,710	(11,470)	12,420
Reorganization costs	138,057	40,000	40,000			
Earnings (loss) from operations before income taxes	(170,092)	(125,920)	(86,740)	27,710	(11,470)	12,420
Income taxes		(26,250)	(13,200)	11,050	(2,000)	5,000
Earnings (loss) before extraordinary items and cumulative effect of changes in accounting	(170,092)	(99,670)	(73,540)	16,660	(9,470)	7,420
Extraordinary items						
Costs related to early retirement of debt, net of income tax benefit of $1,300 and $6,200 in periods ended February 2, 1991 and July 29, 1989, respectively	(16,894)	(14,070)	(14,070)			(9,250)
Earthquake loss, net of income tax benefit of $4,000, $7,000 and $11,000		(6,000)		(10,500)	(16,500)	
Cumulative effect of changes in accounting						
Postretirement medical and other benefits, net of income tax benefit of $2,000	(30,000)					
Income taxes						15,300
Net earnings (loss)	$ (216,986)	$ (119,740)	(87,610)	$ 6,160	$ (25,970)	$ 13,470
Earnings (loss) per common share						
Operations	$ (5.89)	$ (3.55)	$ (2.55)	$ .70	$ (.37)	$ .34
Extraordinary items						
Early retirement of debt	(.58)	(.50)	(.49)			(.42)
Earthquake loss		(.21)		(.44)	(.66)	
Changes in accounting						
Postretirement medical benefits	(1.04)					
Income taxes						.70
	$ (7.51)	$ (4.26)	$ (3.04)	$ .26	$ (1.03)	$ .62

See accompanying Summary of Significant Accounting Policies and Financial Review.

CARTER HAWLEY HALE STORES, INC.
(Debtor-in-Possession)

Consolidated Balance Sheet

(in thousands)	February 1, 1992	February 2, 1991
Assets		
Current assets		
Cash	$ 37,516	$ 33,131
Restricted cash deposits		45,437
Accounts receivable, net	615,309	699,961
Merchandise inventories	384,446	355,449
Other current assets	19,822	20,086
	1,057,093	1,154,064
Property and equipment, net	509,189	511,690
Other assets	101,380	89,667
	$1,667,662	$1,755,421
Liabilities and Shareholders' Equity		
Current liabilities		
Notes payable and current installments	$ 39,866	$ 2,890
Accounts payable	135,278	29,961
Accrued liabilities	242,756	133,654
Current income taxes	10,923	9,477
	428,823	175,982
Liabilities subject to settlement under reorganization proceedings	598,321	598,650
Receivables based financing	489,254	633,798
Other long-term debt	453,174	453,174
Capital lease obligations	55,255	62,116
Other liabilities	132,471	82,503
Deferred income taxes	18,840	21,825
Shareholders' equity		
Common stock, $.01 par value	303	303
Other paid-in capital	643,194	643,252
Accumulated deficit	(1,151,973)	(916,182)
	(508,476)	(272,627)
	$1,667,662	$1,755,421

See accompanying Summary of Significant Accounting Policies and Financial Review.

CARTER HAWLEY HALE STORES, INC.
(Debtor-in-Possession)

Consolidated Statement of Cash Flows

(in thousands)	Year Ended February 1, 1992 (52 weeks)	Year Ended February 2, 1991 (unaudited) (52 weeks)	Period Ended February 2, 1991 (26 weeks)	Period Ended February 3, 1990 (unaudited) (27 weeks)	Year Ended August 4, 1990 (53 weeks)	Year Ended July 29, 1989 (52 weeks)
Operating activities						
Earnings (loss) from operations	$ (170,092)	$ (99,670)	$ (73,540)	$ 16,660	$ (9,470)	$ 7,420
Adjustments to reconcile earnings (loss) from operations to net operating cash flows						
Depreciation and amortization	43,636	42,630	21,836	27,603	50,995	52,956
Earthquake costs		(10,000)		(17,500)	(27,500)	
Gain on sale of Thalhimers		(30,000)	(30.000)			
Gains on asset sales		(7,298)			(7,298)	
Deferred income taxes		(19,605)	(19,091)		(514)	(2,947)
Change in operating assets and liabilities, net of effect of sale of Thalhimers in 1990						
Restricted cash deposits	45,437	(45,437)	(45,437)			
Accounts receivable, net	78,166	26,565	(89,693)	(146,843)	8,272	(272,479)
Merchandise inventories	(28,997)	91,834	94,300	21,826	12,081	(25,858)
Accounts payable and accrued liabilities	201,893	70,022	29,452	(67,736)	(28,452)	(12,920)
Receivables securitization deposits	7,966	(5,116)		(10,345)	(15,472)	(10,134)
Other, net	(11,565)	13,179	2,882	1,343	(18,529)	(12,270)
Net cash provided (used) by operating activities	166,444	27,104	(109,291)	(174,992)	(35,887)	(276,232)
Investing activities						
Proceeds from sale of Thalhimers		317,000	317,000			
Proceeds from asset sales		14,216	8,469		5,747	4,892
Purchases of property and equipment	(34,850)	(80,556)	(37,989)	(28,219)	(83,220)	(75,849)
Net cash provided (used) by investing activities	(34,850)	250,660	287,480	(28,219)	(77,473)	(70,957)
Financing activities						
Postpetition debt activity						
Net change in financing under receivables based facility	489,254					
Net change in financing under working capital facility	37,000					
Prepetition debt activity						
Net change in financing under receivables based facility	(633,798)	(153,994)	(44,848)	135,360	26,214	301,432
Net change in financing under working capital facility		(20,000)	(40,000)	20,000	40,000	(27,000)
Other issuances of long-term debt		23,104			37,182	87,215
Retirements of long-term debt and capital lease obligations	(2,771)	(115,053)	(71,665)	(6,162)	(53,904)	(13,755)
Costs relating to early retirements of long-term debt, net of items not requiring cash outlay	(16,894)	(5,113)	(5,113)			(974)
Issuances of common stock		8,212	2,347	44,697	50,562	3,155
Net cash provided (used) by financing activities	(127,209)	(262,844)	(159,279)	193,895	100,054	350,073
Net increase (decrease) in cash	4,385	14,920	18,910	(9,316)	(13,306)	2,884
Cash at the beginning of the period	33,131	18,211	14,221	27,527	27,527	24,643
Cash at the end of the period	$ 37,516	$ 33,131	$ 33,131	$ 18,211	$ 14,221	$ 27,527

See accompanying Summary of Significant Accounting Policies and Financial Review.

CARTER HAWLEY HALE STORES, INC.
(Debtor-in-Possession)

Consolidated Statement of Common Stock and Other Shareholders' Equity

(in thousands)	Common Stock Shares	Common Stock Par Value	Other Paid-in Capital	Accumulated Deficit
Balance, July 30, 1988	22,592	$ 226	$ 581,349	$ (811,766)
Net earnings				13,470
Stock incentive plan contra*			2,042	
Exercise of stock options and other stock issuances	468	4	3,058	
Balance, July 29, 1989	23,060	230	586,449	(798,296)
Net loss				(25,970)
Issuance of common stock	3,450	34	25,418	
Issuances of common stock to profit sharing plan	3,223	32	23,242	
Net cancellations of common stock under the stock incentive plan	(184)	(2)	(3,249)	
Stock incentive plan contra*			4,498	
Exercise of stock options	299	4	1,852	
Recognition of additional minimum pension liability				(8,062)
Balance, August 4, 1990	29,848	298	638,210	(832,328)
Net loss				(87,610)
Issuances of common stock to profit sharing plan	679	7	2,400	
Net cancellations of common stock under the stock incentive plan	(158)	(2)	(2,171)	
Stock incentive plan contra*			4,813	
Adjustment to additional minimum pension liability				3,756
Balance, February 2, 1991	30,369	303	643,252	(916,182)
Net loss				(216,986)
Net cancellations of common stock under the stock incentive plan	(20)		(58)	
Adjustment to additional minimum pension liability				(18,805)
Balance, February 1, 1992	30,349	$ 303	$ 643,194	$(1,151,973)

* Other Paid-in Capital is net of notes receivable and unamortized costs relating to the Company's stock incentive plan (see Employee Stock Incentive Plans section of the Financial Review).

See accompanying Summary of Significant Accounting Policies and Financial Review.

CARTER HAWLEY HALE STORES, INC.
(Debtor-in-Possession)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reorganization and Basis of Reporting

On February 11, 1991 (the "Petition Date"), Carter Hawley Hale Stores, Inc. (the "Company") filed a petition (the "Filing") under chapter 11 ("Chapter 11") of the Bankruptcy Code in the United States Bankruptcy Court for the Central District of California (the "Bankruptcy Court"). The Company is managing its affairs and is operating its business under Chapter 11 as debtor in possession while a plan of reorganization is formulated.

Through a reorganization under Chapter 11, management intends to implement a program to restructure the operations and capitalization of the Company in order to strengthen the Company's financial position and operating performance. As part of this process, on March 16, 1992, the Company announced a plan for a comprehensive consolidation of all corporate, merchandising, marketing, operations, administration and support functions (the "Consolidation"), which is intended to significantly enhance the Company's operating performance.

The accompanying consolidated financial statements have been prepared on a going concern basis assuming the realization of assets and liquidation of liabilities in the ordinary course of business. However, under Chapter 11, actions to enforce certain claims against the Company are stayed if such claims arose, or are based on events that occurred, before the Petition Date. The terms of the ultimate settlement of these liabilities will be determined based upon a plan of reorganization to be confirmed by the Bankruptcy Court. Such liabilities are reflected in the Consolidated Balance Sheets as liabilities subject to settlement under reorganization proceedings. Additional liabilities subject to settlement may arise subsequent to the Petition Date, as a result of claims filed by parties affected by the Company's rejection of executory contracts, including leases, and from the Bankruptcy Court's resolution of allowed claims for contingencies and other disputed amounts. During 1991, the Company endeavored to notify all known or potential creditors of the Filing for the purpose of identifying all pre-petition date claims. Generally, creditors had until the November 29, 1991 "Bar Date" to file claims. The Company is actively negotiating with creditors to reconcile and resolve the balance of disputed claims totalling approximately $500 million. A significant portion of this amount is comprised of disputed claims that, in the opinion of management, will not result in additional liability to the Company. During the fourth quarter of 1991, the Company recorded $25.0 million of additional liabilities for settlement of certain disputed prepetition trade claims. The additional liability, if any, relating to the remainder of outstanding disputed claims is not subject to reasonable estimation. Consistent with generally accepted accounting principles, the Company has not recognized any additional liabilities related to these claims. The Company will recognize additional liabilities, if any, relating to the outstanding disputed amounts as these amounts become subject to reasonable estimation. During the fourth quarter of 1991, the Company also recorded valuation adjustments to reflect the impact of the Reorganization Case on the Company's ability to realize certain assets. These amounts, totalling $9.0 million, are included in reorganization costs. In addition, a $40.0 million provision for store closing costs, including potential real and personal property lease termination penalties, was recognized in the Transition Period. Additional liabilities may arise as the Chapter 11 proceedings continue.

Actions to enforce claims secured by the Company's assets are also stayed. Based on current facts and circumstances, the Company's outstanding secured debt is not reflected as subject to settlement in the Consolidated Balance Sheets.

On confirmation of a plan of reorganization, the Company expects to utilize "Fresh Start Accounting" in accordance with the guidelines for accounting for emergence from bankruptcy. Fresh Start Accounting is expected to result in a restatement of Company assets to reflect current values.

Certain amounts reported in prior years have been reclassified in the accompanying financial statements to conform to the current fiscal year presentation basis.

Fiscal Year

Effective as of February 2, 1991, the Company changed its fiscal year end from the Saturday closest to July 31 to the Saturday closest to January 31. This change facilitates comparisons between the Company and other major retailers, most of which have similar fiscal periods, reflects the natural cycle of the Company's business, and provides a basis for monitoring the Company's performance during its Chapter 11 proceedings.

Changes in Accounting Policies

In 1991, the Company adopted Statement of Financial Accounting Standards No. 106 "Employers' Accounting for Postretirement Benefits Other than Pensions". The statement requires that the present value of the obligation for postretirement benefits expected to be provided, be accrued by the date that the employee attains full eligibility for such benefits. The accounting for Company paid retiree health and life insurance benefits, the costs of which were previously recognized as expense when paid, was impacted by the new standard. Immediate recognition of the $30.0 million, net of tax, transition obligation for the accrual of prior service costs was elected and has been reflected as a charge to earnings in the first quarter of 1991. The change had no material effect on 1991 operating results.

In 1990, the Company adopted the balance sheet provisions of Statement of Financial Accounting Standards No. 87 "Employers' Accounting for Pensions" ("SFAS No. 87") for all defined benefits plans. The statement requires recognition of an additional minimum liability if the accumulated pension plan benefit obligation exceeds the fair market value of plan assets. The application of these provisions in 1990 resulted in the recognition of an additional minimum pension liability of $47.1 million offset by an intangible asset of $33.7 million, a reduction in deferred taxes of $5.3 million, and a direct charge to equity of $8.1 million.

In 1989, the Company adopted Statement of Financial Accounting Standards No. 96 "Accounting for Income Taxes". This statement requires the use of the liability method of accounting for income taxes and requires the adjustment of previously recorded deferred tax liabilities and assets for the effects of changes in tax laws or rates through the date of the latest financial statements presented. The cumulative effect of the change on prior years was a gain of $15.3 million, which has been reflected in net earnings for the first quarter of 1989. The change had no material effect on 1989 operating results.

Sales

Sales are net of returns, exclude sales tax, and comprise merchandise, services, and sales by leased departments.

Customer Accounts Receivable

An account is generally written off when the aggregate of payments made in the most recent six months is less than one full monthly scheduled payment, or when it is otherwise determined that the account is uncollectible.

Inventories

Merchandise inventories are valued at the lower of cost or market, as determined by the retail method on the last-in, first-out ("LIFO") basis.

Property and Equipment

Property and equipment are recorded at cost and include major renewals and improvements of a permanent nature. Other renewals and improvements and maintenance and repairs are expensed.

Depreciation and Amortization

Depreciation and amortization are provided on the straight-line method over the estimated useful lives of the property and equipment, or over the terms of the related leases, if shorter. Debt acquisition costs are amortized over the life of the related debt.

Income Taxes

Income taxes are provided currently for all items included in the Consolidated Statement of Earnings regardless of when such taxes are payable. Deferred taxes arise from the recognition of revenues and expenses in different periods for tax and financial statement purposes. The benefit from net operating losses is recognized to the extent that previously deferred income tax liabilities will reverse in the carryover period or when realization of the benefit is assured beyond a reasonable doubt.

Earnings Per Share of Common Stock

Earnings per share are computed on the basis of the weighted average number of shares outstanding during the period, including dilutive stock options, net of shares deemed repurchased in connection with the Company's stock incentive plan. The average shares used were 28.9 million in 1991, 28.1 million in the comparative 52 week period ended February 2, 1991, 28.8 million in the Transition Period and 23.7 million in the comparative twenty-seven week period ended February 3, 1990, 25.1 million in 1990, and 21.8 million in 1989.

Fully diluted earnings per share have not been presented since there was no dilution or the dilutive effect was not material.

FINANCIAL REVIEW

Reorganization Costs

Professional fees and expenditures directly related to the Filing together with costs incurred in connection with the Consolidation have been segregated from normal operations and are disclosed separately. The major components of these costs are as follows:

(in millions)	Year Ended February 1, 1992 (52 Weeks)	Transition Period Ended February 2, 1991 (26 Weeks)
Provision for Consolidation	$ 65.0	$ 40.0
Provision for store closing costs	34.0	
Settlements of disputed claims and valuation adjustments	29.4	
Professional fees and other expenditures directly related to the Filing		
Write-off of unamortized debt issue costs on subordinated debentures	9.7	—
	$138.1	$ 40.0

The provision for Consolidation is comprised of the estimated costs for the comprehensive centralization of major management functions. The new management approach, which is expected to be implemented during 1992, will result in the consolidation of all corporate, merchandising, marketing, operations, administration, and support functions into a single organization. The Consolidation is expected to provide annual expense savings of $25 million to $30 million.

The store closing provision covers both the estimated costs to be incurred in closing certain stores and other facilities together with penalties to be incurred upon the rejection of related building and personal property leases.

The settlement of disputed claims and valuation adjustments includes the negotiated resolution of certain disputed prepetition trade claims and reduction in the carrying values of certain assets to reflect the impact of the Reorganization Case on the amounts to be realized for such assets.

Unamortized subordinated debt issue costs, which totaled $9.7 million as of the Petition Date, were charged to reorganization costs in the fourth quarter of the current year, as a result of the claims related to the debt being allowed by the Bankruptcy Court.

Gain on the Sale of Thalhimers

On December 14, 1990, the Company completed the sale of its Thalhimers subsidiary for $317.0 million. The transaction, which was effective as of November, 1990, resulted in a pre-tax gain of $30.0 million which was recognized in the 13 week period ended November 3, 1990. Thalhimers' results of operations for the 13 week period ended November 3, 1990, which consisted of a loss before interest of $.1 million and a pretax operating loss of $7.9 million, were excluded from the results of operations and were incorporated in the gain on the sale. Thalhimers' sales for fiscal 1990 and 1989 amounted to $445.9 million and $403.0 million, respectively.

Regional Consolidation Programs

The sale of Thalhimers allowed the Company to completely focus on the West coast markets. In this regard, the Company initiated expense reduction programs directed at capitalizing on the available efficiencies associated with the operation of a more centralized business. These programs included divisional consolidations, consolidation of divisional administrative activities, elimination of redundant functions, and reduction of overhead at both the operating divisions and the corporate office. During the Transition Period, the Company established provisions totalling $47 million for these programs. Approximately $12 million of the total related to estimated costs for the consolidation of the administrative functions of the Company's Emporium and Weinstocks divisions, which was completed in 1991.

Other Expense

Other expense relates to costs incurred in consolidating certain corporate buying programs, transferring the administration of group buying programs to The Associated Merchandising Corporation, an independent retail organization, and the closure of the Company's New York buying office. Gains on asset sales of $7.3 million reduced net other expense to $4.8 million in 1990.

Interest Expense, net

The components of interest expense are as follows:

(in millions)	Year Ended February 1, 1992 (52 weeks)	Transition Period Ended February 2, 1991 (26 weeks)	Year Ended August 4, 1990 (53 weeks)	Year Ended July 29, 1989 (52 weeks)
Interest on total debt	$ 90.1	$ 78.5	$166.1	$151.4
Imputed interest on capitalized lease obligations	5.4	3.0	6.9	7.4
Interest allocated to Thalhimers		(11.4)		
Capitalized interest	(1.6)	(1.8)	(4.5)	(2.6)
Amortization of debt issuance costs	8.3	2.0	7.1	5.4
Other	.1	.7	(1.4)	(1.2)
Interest Income			(12.7)	
Interest expense, net	$102.3	$ 71.0	$161.5	$160.4

Interest payments, net of amounts capitalized, were $46.6 million for the current year, $77.9 million for the Transition Period, $169.2 million in 1990 and $156.0 million in 1989. As a result of the Filing, current year interest payments were limited to amounts due under the Postpetition Credit Agreement, the Interim Receivables Facility (during its existence), the Receivables Securitization Facility, and the interest element of capital lease payments made. Subsequent to the Petition Date interest continued to accrue on the Company's secured mortgage debt but no payments were made. Both the accrual of interest and amortization of debt issuance costs on the Company's subordinated debt ceased as of the Petition Date. Unaccrued interest on the subordinated debt amounted to $42.5 million in the current year. The remaining $9.7 million of unamortized debt issuance costs relating to the subordinated debt was written-off as a reorganization cost in the fourth quarter of the current year.

The impact of the Filing on the accrual and payment of interest is reflected in the following analysis of accrued interest at year end:

(in millions)	February 1, 1992	February 2, 1991
Interest accrual on:		
Secured mortgage debt	$48.2	$ 4.0
Receivables backed facilities	2.5	2.2
Debtor in possession working capital facility	1.0	
Other	2.5	1.8
Total included in accrued liabilities	54.2	8.0
Subordinated debt interest accrual, included in liabilities subject to settlement	21.1	20.2
Total interest accrual	$75.3	$28.2

Income Tax Expense (Benefit)

The Company has recorded no income tax benefit from operations in the current year, while benefits based on effective rates of 15.2% and 17.4% were recorded for the Transition Period and for fiscal 1990, respectively. Tax benefits in both the current year and the Transition Period have been effected by limitations on the Company's ability to utilize net operating loss carryforwards. The 1990 tax benefit was reduced as a result of the effect of state income taxes for which there were limited net operating loss carryforwards.

The limited ability to utilize net operating loss carryforwards is reflected in the following analysis of the Company's provision (benefit) for income taxes, and related deferred income tax benefit and effective income tax rate disclosures.

(in millions)	Year Ended February 1, 1992 (52 weeks)	Transition Period Ended February 2, 1991 (26 weeks)	Year Ended August 4, 1990 (53 weeks)	Year Ended July 29, 1989 (52 weeks)
Current				
Federal	$	$ 1.9	$ (2.9)	$ 7.1
State		4.0	1.4	.8
		5.9	(1.5)	7.9
Deferred				
Federal		(17.1)	(.3)	(3.0)
State		(2.0)	(.2)	.1
		(19.1)	(.5)	(2.9)
Income tax expense (benefit)	$ -	$(13.2)	$ (2.0)	$ 5.0

Deferred income tax benefits result from temporary differences in the recognition of revenue and expense for tax and financial statement purposes. The sources of these temporary differences and their tax effects are as follows:

(in millions)	Year Ended February 1, 1992 (52 weeks)	Transition Period Ended February 2, 1991 (26 weeks)	Year Ended August 4, 1990 (53 weeks)	Year Ended July 29, 1989 (52 weeks)
State income taxes	$	$ .3	$ .9	$ .2
Book-tax depreciation differential		(2.8)	6.9	3.7
Finance charge revenue			1.1	.7
Deferred revenue			(2.8)	1.6
Capitalized interest and other real estate costs		.6	2.1	1.9
Prepaid and other deferred charges		(1.4)	9.1	7.9
Inventory adjustments		(.3)	(2.4)	(2.4)
Functional consolidation and restructuring reserves			6.6	5.9
Provision for regional consolidation programs		(4.1)		
Provision for store closing		(9.0)		
Deferred gross profit on installment sales		(.8)	(20.6)	(21.5)
Charitable contribution carryover				(1.3)
Tax credit carryovers			.9	(1.5)
Other, net	—	(1.6)	(2.3)	1.9
Deferred income tax benefit	$ -	$(19.1)	$ (.5)	$ (2.9)

Factors causing the Company's effective income tax rate to differ from the federal statutory rate are as follows:

(percent of pre-tax earnings)	Year Ended February 1, 1992 (52 weeks)	Transition Period Ended February 2, 1991 (26 weeks)	Year Ended August 4, 1990 (53 weeks)	Year Ended July 29, 1989 (52 weeks)
Federal income tax at statutory rate	(34.0)%	(34.0)%	(34.0)%	34.0%
State income taxes		1.4	15.2	9.7
Losses for which no benefit is recognized	34.0	19.1		
Targeted Jobs Tax Credit		(.4)		(4.9)
Adjustments to taxes previously recorded		(.9)	(2.1)	
Other, net	—	(.4)	3.5	1.5
Effective income tax rate	- %	(15.2)%	(17.4)%	40.3%

The Company has a tax basis net operating loss carryforward of $130.9 million for federal purposes which expires in the years 2005 and 2006. In addition, the Company has a federal business credit carryforward of $1.1 million which expires in the year 2004 and an alternative minimum tax credit carryforward of $1.6 million which carries over indefinitely. For financial statement purposes, the Company has $305.2 million of net operating losses for which no benefit can be recognized under generally accepted accounting principles. Additional limitations on the utilization of net operating loss carryforwards would be imposed as a result of any change in ownership. The Company expects such a change will result from its emergence from Chapter 11.

Income tax payments were $.1 million in the current year, $.2 million in the Transition Period, $2.4 million in 1990, and $7.2 million in 1989.

The Company and The Neiman Marcus Group entered into a tax allocation agreement in connection with the 1987 Restructuring (the "Tax Allocation Agreement"). Under the Tax Allocation Agreement, The Neiman Marcus Group is responsible for the payment of certain taxes that are, or may become payable as a result of the transition rules of the Tax Reform Act of 1986, as they relate to installment sales, bad debt reserves, and inventory capitalization attributable to the specialty store business for periods prior to the 1987 Restructuring. The Neiman Marcus Group disputed its potential obligation of approximately $24 million for taxes arising under the Tax Allocation Agreement. This includes approximately $14 million reflected by the Company in current accounts receivable and $10 million which would be payable to The Neiman Marcus Group if it prevailed. On April 14, 1989, the Company commenced litigation seeking a declaration of The Neiman Marcus Group's obligation for such taxes as they become due. In response, The Neiman Marcus Group counter claimed to recover approximately $6 million relating to the treatment of other taxes under the Tax Allocation Agreement and disputed its obligation to pay $2 million of such taxes also reflected by the Company in current accounts receivable. In the opinion of management, the outcome of this litigation will not have a material impact on the Company's financial position, although no assurances can be given in this regard. As a result of the Filing, The Neiman Marcus Group's counterclaims against the Company have been stayed. In 1991, the Company began negotiations with The Neiman Marcus Group directed at resolving the outstanding issues related to the Company's 1987 Restructuring.

In February 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes". Under the new standard, a deferred tax liability will be recognized for taxable temporary differences and deferred tax assets will be recognized for deductible temporary differences, tax credit carryforwards, and operating loss carryforwards. A valuation allowance would be established to reduce deferred tax assets if it is more likely than not that all, or some portion, of such deferred tax assets will not be realized. Adoption of the new standard is required for years beginning after December 15, 1992. The Company has not yet adopted the new standard and the impact of adoption on the Company's consolidated financial statements, if any, has not been determined.

Extraordinary Earthquake Loss

A significant number of the Company's 22 San Francisco Bay area stores suffered extensive damage as a result of the major earthquake which affected that area on October 17, 1989. Eleven stores were closed for periods of one to eleven days and the downtown Oakland store remained closed until August 1990. The Company maintains earthquake and business interruption insurance with standard deductible provisions that require the Company to incur an initial level of costs at each location subject to damage or interruption of business. In the year ended August 4, 1990, the Company recorded a $16.5 million extraordinary charge, net of income tax benefits of $11.0 million, to cover the earthquake related loss in excess of insurance proceeds.

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Accounts Receivable and Credit Operations

Accounts receivable consist of the following:

(in millions)	February 1, 1992	February 2, 1991
Customer receivables	$598.6	$673.5
Other receivables		
Income taxes	1.1	2.2
The Neiman Marcus Group	18.3	18.3
Other	13.9	19.4
	631.9	713.4
Less allowance for doubtful accounts	(16.6)	(13.4)
Accounts receivable, net	$615.3	$700.0

The receivable from The Neiman Marcus Group at February 1, 1992, includes approximately $16 million under the Tax Allocation Agreement entered into at the time of the Company's 1987 Restructuring with the balance representing amounts for shared costs and other reimbursable expenses incurred by the Company. Fees received from The Neiman Marcus Group for data processing support provided through fiscal 1990, have been treated as a reduction of selling, general, and administrative expenses.

Selected credit operations information is as follows:

(Dollar amounts in millions)	Year Ended February 1, 1992 (52 weeks)	Transition Period Ended February 2, 1991 (26 weeks)	Year Ended August 4, 1990 (53 weeks)	Year Ended July 29, 1989 (52 weeks)
Credit sales as a percent of gross sales	53.8%	56.3%	57.3%	58.5%
Uncollectible account losses, net of recoveries, as a percent of credit sales	3.1%	2.2%	2.2%	1.4%
Finance charge revenue	$94.0	$49.3	$125.0	$94.9

Finance charge revenue is treated as a reduction of selling, general, and administrative expenses. The deteriorating general economic conditions in the Company's principal markets, including a significant increase in personal bankruptcies, coupled with sales reductions have adversely effected the Company's net write off experience during the current fiscal year.

Inventories

Merchandise inventories were $384.4 million at February 1, 1992 and $355.4 million at February 2, 1991. For the current year the LIFO method of accounting resulted in a charge of $5.2 million compared to charges of $4.7 million for the twenty-six week period ended February 2, 1991, $22.2 million in 1990 and $.3 million in 1989. If all inventories had been valued on the first-in, first-out ("FIFO") basis, they would have been higher by $79.8 million at February 1, 1992, $74.5 million at February 2, 1991, $72.0 million at August 4, 1990 and $49.8 million at July 29, 1989.

Leases

Certain Company operations are conducted in leased properties, which include retail stores, distribution centers, and office facilities. Leases are generally for periods of up to thirty years, with renewal options for substantial periods. Leases are generally at fixed rental rates, except that certain leases provide for additional rental charges based on sales in excess of predetermined levels.

Rent expense for each period is as follows:

(in millions)	Year Ended February 1, 1992 (52 weeks)	Transition Period Ended February 2, 1991 (26 weeks)	Year Ended August 4, 1990 (53 weeks)	Year Ended July 29, 1989 (52 weeks)
Minimum rent	$ 31.0	$ 16.6	$ 35.5	$ 33.4
Rent based on sales	.9	.6	3.7	3.6
Total rent expense	$ 31.9	$ 17.2	$ 39.2	$ 37.0

Future minimum lease payments are as follows:

(in millions)	Capital Leases	Operating Leases
1992	$ 8.0	$ 31.2
1993	8.0	31.3
1994	7.7	31.6
1995	7.7	31.5
1996	7.6	31.9
Thereafter	69.0	436.3
Total future minimum lease obligations	$108.0	$593.8
Present value, including $2.9 million current portion of capital lease obligations	$ 58.1	$223.4

The present value of operating leases is determined by discounting future minimum rent commitments, less assumed executory and administrative costs, at rates that approximate the Company's cost of capital at the inception of the leases.

Subject to the approval of the Bankruptcy Court, the Company can reject executory contracts, including leases, under the relevant provisions of the Bankruptcy Code. In connection with the Chapter 11 proceedings, a review is currently being undertaken of all lease obligations. Rejection of a lease gives the lessor the right to assert a claim against the Company as though such lease had been breached immediately prior to the filing of the Chapter 11 petition. However, the amount of such claim may be capped by operation of the Bankruptcy Code. An accrual of estimated claims to be incurred on rejection of leases of facilities identified for possible closure was included in the Transition Period provision for store closing costs. The above analysis of future minimum lease payments, however, has been adjusted only to reflect lease rejections for which Bankruptcy Court approval has been obtained.

Property and Equipment

Property and equipment is as follows:

(in millions)	February 1, 1992	February 2, 1991
Land	$ 37.4	$ 36.3
Buildings and improvements	378.1	358.5
Leasehold improvements	80.0	76.8
Fixtures and equipment	411.8	393.7
Construction in progress	28.2	41.8
Leased property under capital leases, primarily buildings	87.6	96.2
	1,023.1	1,003.3
Less accumulated depreciation and amortization		
Owned property	469.0	443.0
Leased property under capital leases	44.9	48.6
	513.9	491.6
Property and equipment, net	$ 509.2	$ 511.7

In connection with the rejection of certain of the Company's real property leases, the Company will incur losses for the write off of unamortized leasehold improvements. Such losses for facilities identified for possible closure were provided for in the Transition Period provision for store closing costs.

Capital expenditures were as follows:

(in millions)	Year Ended February 1, 1992 (52 weeks)	Transition Period Ended February 2, 1991 (26 weeks)	Year Ended August 4, 1990 (53 weeks)	Year Ended July 29, 1989 (52 weeks)
New stores	$ 2.2	$ 25.7	$ 41.7	$ 15.9
Store modernization and support facilities	32.7	12.3	36.9	51.0
Purchases of leased stores	—	—	4.6	8.9
Total capital expenditures	$ 34.9	$ 38.0	$ 83.2	$ 75.8

Expenditures for new stores include acquisition costs of land, buildings and improvements, and related fixtures and equipment. Store modernization expenditures include renovating, expanding, and re-equipping existing stores. Expenditures on support facilities relate to improvements and fixtures for office buildings, distribution centers, and other facilities. In addition, expenditures for the purchase of certain properties previously operated under capital or operating leases have been disclosed separately. These properties were subsequently used as collateral for certain long-term debt financing.

Liabilities Subject to Settlement Under Reorganization Proceedings

Liabilities subject to settlement under the reorganization proceedings have been separately classified and consist of the following:

(In millions)	February 1, 1992	February 2, 1991
Accounts payable	$ 194.8	$ 182.8
Accrued liabilities	53.5	75.6
Subordinated debt		
12.25 percent Notes due 1996	125.0	125.0
12.5 percent Debentures due 1998-2002	225.0	225.0
Unamortized subordinated debt acquisition costs	—	(9.7)
	$ 598.3	$ 598.7

Actions to enforce liabilities subject to settlement are stayed while the Company is under the protection of the Bankruptcy Code. As part of the Chapter 11 reorganization process, the Company has endeavored to notify all known or potential creditors of the Filing for the purpose of identifying all pre-petition claims against the Company. Generally, creditors whose claims arose prior to the Petition Date had until the November 29, 1991 "Bar Date" to file claims or be barred from asserting claims in the future, except in instances of claims arising from the subsequent rejection of executory contracts by the Company, the Company's subsequent recovery of property transferred to claimants prior to February 11, 1991, and for claims related to certain other items including income taxes.

Consistent with the guidelines for accounting during a Chapter 11 reorganization, the Company has adjusted recorded liabilities to amounts allowable under the Bankruptcy Code. As a result, during the current year all unamortized debt issue costs relating to the Company's subordinated debt were charged to reorganization costs and an adjustment of $25 million was made to liabilities for settlement of certain disputed prepetition trade claims. The Company is actively negotiating with creditors to reconcile and resolve the balance of disputed claims totalling approximately $500 million. A significant portion of this amount is comprised of disputed claims that, in the opinion of management, will not result in additional liability to the Company. The additional liability, if any, relating to the remainder of outstanding disputed claims is not subject to reasonable estimation. As a result, no provision has been recorded for these claims. The Company will recognize the additional liability, if any, as these amounts become subject to reasonable estimation.

Additional bankruptcy claims and pre-petition liabilities may arise from the termination of other contractual obligations and the settlement of disputed claims. Consequently, the amount included in the Consolidated Balance Sheet as liabilities subject to settlement under reorganization proceedings may be subject to further adjustment.

Bank Credit Arrangements

During the first quarter of 1991, the Bankruptcy Court granted approval of a postpetition Working Capital Facility. The facility, entered into with Chemical Bank on February 11, 1991, provides for up to $250.0 million in a combination of working capital loans and letters of credit which expire the earlier of February 26, 1993, or the Effective Date or the date of substantial consummation of a plan of reorganization. During 1991, interest charges on outstanding borrowings under the facility were computed at a rate equivalent to one and one-half percent above the bank's prime rate. The facility provides for a commitment fee and certain other charges. In addition, closing costs of $5.6 million, are being amortized over the term of the facility. The facility includes restrictions on payment of prepetition debt and on the level of capital expenditures, and requires the maintenance of certain levels of inventory and levels of net income before interest, amortization, depreciation, tax and bankruptcy expenses ("EBITDA"). The Company subsequently amended the facility's provisions relating to the required levels of EBITDA for the Company's fourth quarter of fiscal 1991 and the last two quarters of fiscal 1992.

As of February 1, 1992, $37.0 million in advances and $47.8 million in letters of credit were outstanding under this facility.

Long-Term Debt

Long-term debt outstanding at year end was as follows:

(in millions)	February 1, 1992	February 2, 1991
Receivables based financing	$489.3	$633.8
Secured long-term debt		
Term loans due in 1995 (4.75 percent at February 1, 1992 and 7.6 percent at February 2, 1991)	$ 89.7	$ 89.7
9.9 percent Notes due 1992-2010	9.4	9.4
10.69 and 10.2 percent Notes due 1992-1997	344.0	344.0
Other	10.1	10.1
	$453.2	$453.2

During the first quarter of 1991, the Bankruptcy Court granted approval of a $550.0 million interim receivables facility (the "Interim Receivables Facility"). The Interim Receivables Facility was replaced with a permanent securitization facility (the "Receivables Securitization Facility") on July 25, 1991. In connection with this change, $16.9 million of unamortized costs relating to the Interim Receivables Facility were written off as an extraordinary charge during the second quarter of 1991. The Receivables Securitization Facility substantially reduced the cost of receivables financing and improved credit availability relative to the Interim Receivables Facility. The Receivables Securitization Facility provides for Camelback Funding Corp., a limited-purpose corporation wholly owned by the Company, to issue concurrently $200 million in privately-placed 8.75% credit card backed notes and up to $363.5 million in commercial paper. The Receivables Securitization Facility program is currently scheduled to mature on the earlier of July 23, 1993 or the effective date of a plan of reorganization.

As of February 1, 1992, $289.5 million of commercial paper and $199.8 million of notes were outstanding under the Receivables Securitization Facility.

The accrual of interest and the amortization of debt acquisition costs relating to the secured debt has continued subsequent to February 2, 1991 and the Filing. However, in accordance with the terms of the postpetition Working Capital Facility, except under certain circumstances, no payments of interest or principal on secured debt may be made during the term of the Working Capital Facility. As a result, the Company is in default on all of its prepetition long-term debt agreements. Since actions to enforce these defaults are stayed while the Company is under the protection of the Bankruptcy Code, all amounts payable under the secured debt agreements have been classified as long-term debt.

On December 31, 1991, an agreement (the "Prudential Settlement Agreement") was reached with The Prudential Insurance Company of America ("Prudential") with respect to the $344.0 million of notes due 1992 - 1997 (the "Existing Notes"). The Prudential Settlement Agreement, which has been approved by the Bankruptcy Court, will, upon the effective date of a plan of reorganization satisfying the requirements set forth in the Prudential Settlement Agreement, extend the maturity of Prudential's Existing Notes for approximately five years to December 2002 or, if earlier, the tenth anniversary of the Company's emergence from Chapter 11. In accordance with the following summary of the Prudential Settlement Agreement, Prudential will be paid in full all principal and accrued interest.

The Prudential Settlement Agreement provides for principal payments commencing on the fifth anniversary of the effective date of a plan of reorganization containing the terms set forth in the Prudential Settlement Agreement (the "Effective Date"). Interest accruing on Prudential's Existing Notes from the Petition Date through May 31, 1992 (estimated at $52 million) will be capitalized in a nine percent note (the "Accrued Interest Note") with principal payments commencing on the fifth anniversary of the Effective Date and continuing in equal installments over the remaining life of the Existing Notes. A portion of the interest accruing on the Existing Notes during the first two years following the Effective Date (estimated at $24 million), which would otherwise be payable in cash, will be capitalized under and paid in accordance with the terms of the Existing Notes agreement.

The accompanying financial statements do not reflect the impact of the December 31, 1991 Prudential Settlement Agreement which becomes effective only on the Company's emergence from Chapter 11 pursuant to a plan of reorganization containing the terms set forth in the Prudential Settlement Agreement.

The Prudential Settlement Agreement also provides that Prudential will, subject to certain conditions, vote for a reorganization plan proposed by the Company which contains specified terms. All existing litigation between Prudential and the Company has also been suspended under the terms of the Prudential Settlement Agreement, and minor amendments to existing loan provisions have been agreed to. The Prudential Settlement Agreement terminates on June 15, 1993, subject to earlier termination under certain circumstances.

The Company has made no payments with respect to prepetition debt obligations. As a result of the Company's failure to make principal and interest payments with respect to the $89.7 million of secured term loans due in 1995, the Company is in default on this obligation. In accordance with the terms of the related debt agreement, interest during periods of default accrues at a rate of 2 percent above the stated rate. Based on current facts and circumstances, the Company did not accrue interest at the default rate during the current year. Interest expense would have increased by approximately $1.8 million based on the default rate for this obligation.

The Transition Period ended February 2, 1991 includes extraordinary net of tax charges of $6.2 million for the write off of unamortized costs and prepayment penalties incurred with respect to the early retirement of debt secured by Thalhimer properties and $7.9 million for the write off of unamortized costs incurred with respect to the Company's pre-petition working capital and receivables securitization facilities which were terminated as a result of the Filing. In 1989, the cancellation of a working capital facility and the refinancing of debt on certain mortgaged properties resulted in an extraordinary net of tax charge of $9.2 million .

Principal maturities of long-term debt are dependent on factors still under negotiation with regard to certain of the Company's debt agreements. Consequently principal payments on such debt for the next five years can not be determined until a plan of reorganization has been approved by the Bankruptcy Court.

Long-term debt includes $453.2 million secured by property with a net carrying value of $234.0 million.

The Company's debt agreements include restrictions on capital expenditures and require the maintenance of certain financial ratios.

Retirement Plans

The Company has two qualified noncontributory pension plans covering substantially all employees. Employees who have completed one year of employment, are at least 21 years of age, and are not covered by a collectively bargained pension plan, are covered by the plans and become vested for benefit purposes after completing five years of employment with the Company. The Company also has unfunded nonqualified pension plans covering certain employees and directors. The Company normally contributes at least the actuarially determined minimum amount necessary to fund participants' benefits in accordance with the requirements of the Employee Retirement Income Security Act of 1974. Company contributions to the pension plans have continued subsequent to the Filing. Bankruptcy Court approval was granted for contributions to the qualified plans which came due or related to periods prior to the Filing. Plan assets are invested in equity and fixed income securities which are held in a trust and are not subject to the claims of the Company's creditors.

The following table summarizes pension expense and funded status of the plans, as determined by the Company's actuary, together with an analysis of the significant actuarial assumptions used:

(in millions)	Year Ended February 1, 1992 (52 weeks)	Transition Period Ended February 2, 1991 (26 weeks)	Year Ended August 4, 1990 (53 weeks)	Year Ended July 29, 1989 (52 weeks)
Net periodic pension expense				
Service cost	$ 3.7	$ 2.2	$ 5.6	$ 4.9
Interest cost on projected benefit obligation	14.0	7.8	15.3	14.2
Actual net return on assets	(14.1)	(.6)	(4.0)	(10.2)
Net amortization (deferral)	7.9	(3.0)	(4.0)	2.2
Net expense	$ 11.5	$ 6.4	$ 12.9	$ 11.1
Funded status of plans				
Accumulated benefit obligation				
Vested	$(161.7)	$(130.8)	$(159.4)	$(145.7)
Nonvested	(4.5)	(6.8)	(4.7)	(8.1)
	(166.2)	(137.6)	(164.1)	(153.8)
Additional amounts relating to projected compensation increase	(16.8)	(15.4)	(19.8)	(19.0)
Actuarial present value of projected benefit obligation	(183.0)	(153.0)	(183.9)	(172.8)
Market value of plan assets	94.4	80.8	98.2	95.1
Funded status	(88.6)	(72.2)	(85.7)	(77.7)
Unrecognized net obligation at initial date of application of SFAS No. 87	25.8	28.0	33.1	35.1
Unrecognized net loss	40.6	21.9	29.9	24.2
Unrecognized prior service costs	3.3	3.6	3.9	2.2
Additional minimum liability recognized under SFAS No. 87	(52.9)	(38.1)	(47.1)	—
Pension liability	$ (71.8)	$ (56.8)	$ (65.9)	$ (16.2)
Significant actuarial assumptions				
Discount rate	8.5%	9.5%	9.5%	9.5%
Long-term rate of return on assets	9.5	9.5	11.0	11.0
Projected rate of compensation increases	5.0	5.0	5.0	5.0

As of February 1, 1992, the $88.6 million unfunded projected benefit obligation consisted of $55.4 million relating to the qualified plans and $33.2 million relating to the nonqualified plans.

Certain retired employees also receive health care and life insurance benefits which are subsidized to varying degrees by the Company. The postretirement medical benefits are available only to employees who had retired or were eligible to retire by August 1, 1991 and who had met all other plan eligibility requirements. A life insurance benefit of $1,000 per employee is provided by the Company to all eligible current and retired employees. Additional life insurance benefits are also available for a select group of executives.

The following table summarizes the expense and the accumulated benefit obligation for these plans as of and for the year ended February 1, 1992.

	Postretirement Benefits		
(in millions)	Total	Medical	Life Insurance
Net postretirement benefit expense			
Service cost	$ .2	$	$ .2
Interest cost on projected benefit obligation	2.7	2.3	.4
Net expense	$ 2.9	$ 2.3	$ .6
Accumulated benefit obligation			
Retirees	$ (28.9)	$ (25.0)	$ (3.9)
Fully eligible active plan participants	(2.4)	(1.2)	(1.2)
Other active plan participants	(.7)	—	(.7)
Accrued postretirement benefit liability	$ (32.0)	$ (26.2)	$ (5.8)

The postretirement medical and life insurance benefits are provided under nonqualified plans. The accumulated benefit obligation represents the present value of expected future payments discounted at an eight and one-half percent rate. Medical inflation has been projected at a blended rate of fifteen percent per annum for fiscal 1992, declining ratably over the next ten years to a long term rate of approximately seven and one-half percent per annum. The effect of a one-percentage-point increase in the assumed medical cost trend rate would be to increase the net periodic medical plan expense by $.1 million and to increase the related accumulated benefit obligation by $1.7 million.

In prior years the cost of retiree health care and life insurance benefits was recognized as expense when paid. Benefit payments were $.9 million during the Transition Period, $2.8 million in 1990, and $2.9 million in 1989.

In October 1991, a 401(k) investment plan was made available to substantially all employees who had completed one year of service. Employee contributions to the plan are invested in fixed income government and corporate securities of the highest quality with maturities not in excess of two years.

The 401(k) plan replaced the Profit Sharing Plan, previously available to eligible employees. The Profit Sharing Plan had provided for the Company to contribute an amount which was the greater of 3 percent of consolidated pretax earnings (as defined in the plan agreement) or an amount which was at least equal to 25 percent of employee contributions. Employee and Company contributions were used to buy shares of the Company's Common Stock at prevailing market prices. As a result of the Filing, employee contributions to the plan were suspended and, in accordance with the plan document, all active

participants became 100% vested in their Company contribution accounts at that time. A prepetition claim of $.9 million has been filed on behalf of the Profit Sharing Plan for Company contributions accruing to the Profit Sharing Plan for the period October 1, 1990 through the Petition Date. Company contributions to the plan were $3.7 million in fiscal 1990 and $3.2 million in fiscal 1989. At February 1, 1992, the plan held 10.8 million shares representing 36 percent of the outstanding Common Stock.

The assets of the 401(k) plan, including those relating to the prior profit sharing plan, are held in trust and are not subject to the claims of the Company's creditors.

As part of the Company's 1987 restructuring, the Company entered into an agreement with The Neiman Marcus Group pursuant to which, The Neiman Marcus Group became responsible for 50 percent of the unfunded liabilities under the Company's pension and deferred compensation plans, for liabilities which were accrued prior to the 1987 Restructuring and were attributable to the Company's corporate employees.

The agreement also provides for the Company and The Neiman Marcus Group to jointly and unconditionally guarantee all unfunded liabilities under the nonqualified pension plans and the deferred compensation plans accrued prior to the 1987 restructuring. The agreement provides that this guarantee shall continue in effect until the Company's net worth exceeds $300 million. The Filing has resulted in a suspension of payments by the Company under these plans. Under the terms of the agreement, The Neiman Marcus Group has made payments to eligible participants during fiscal 1991 totalling $2.6 million under the nonqualified pension plans and $2.7 million under the deferred compensation plans.

Employee Stock Incentive Plans

The Company's stock incentive plan provides for the issuance of stock options, stock purchase rights, and restricted stock awards to key employees. Stock options are granted to purchase Common Stock of the Company at not less than the market price on the date of grant and are exercisable over a ten-year period, generally beginning one year from the date of grant. Pursuant to the Company's stock incentive plan, exercises of stock purchase rights result in the issuances of shares of Common Stock of the Company in return for executed non-recourse interest bearing notes which become due in six years. Shares issued as a result of the exercise of stock purchase rights are held by the Company as collateral for the notes. Restricted stock awards are shares issued at no cost to the employee but which vest only after the completion of six years of continuous employment with the Company subsequent to the grant date.

During the current year, no options or restricted stock awards were issued under this plan. At February 1, 1992, options for 195,500 shares were outstanding at exercise prices ranging from $3.125 to $14.00 of which 76,500 options were exercisable.

At February 1, 1992, $9.1 million of 7.90 percent to 9.69 percent non-recourse notes relating to .7 million shares issued in connection with the exercise of stock purchase rights was included as a reduction to additional paid in capital.

Prior to the Filing, the cost of the restricted stock awards was being amortized over the vesting period. As a result of the Filing and the decline in the market value of the Company's Common Stock, there is significantly limited incentive associated with the restricted stock awards. Consequently, all award costs expected to be amortized over the vesting period were expensed in the Transition Period ended February 2, 1991, resulting in a charge to income of $2.7 million in the Transition Period compared to charges of $1.3 million in 1990, and $1.9 million in 1989.

At February 1, 1992, under stock incentive plans in existence at the time of the 1987 Restructuring, options for 2.3 million shares were outstanding and exercisable at prices ranging from $2.67 to $7.30. No options were exercised under these plans during 1991. Subsequent to the 1987 Restructuring, no new options can be granted under these plans.

Contingencies

The Company is a defendant in certain legal actions which have been stayed as a result of the Filing. In the opinion of management, the disposition of these actions will not have a material adverse effect upon the Company's financial position or results of operations.

Common Stock and Other Shareholders' Equity

At February 1, 1992, the Company's authorized Common Stock consisted of 100 million shares, $.01 par value, of which 3.0 million shares were reserved under the employee stock incentive plans and .4 million shares were reserved for purchase by the Company's 401(k) plan.

On August 26, 1987, the Company declared a dividend of one Preferred Stock Purchase Right (the "Right") for each outstanding share of Common Stock. The Rights expire 10 years after issuance, and are exercisable only if a person or group (other than the Company's 401(k) plan) acquires 20 percent or more of the Company's Common Stock or commences a tender or exchange offer which would result in the acquisition of 30 percent or more of the Company's Common Stock. Each Right entitles the holder to purchase one newly issued unit of preferred stock at an exercise price of $60. Under certain circumstances, as provided in the Rights Plan, each Right entitles the holder to purchase Common Stock of the Company or an acquiring company having a value equal to twice the exercise price. The Company may redeem the Rights at $.02 per Right at any time prior to 10 days after the acquisition of 20 percent of the Company's Common Stock.

On August 26, 1987, shareholders approved a plan of restructuring (the "1987 Restructuring") in which the Company was reorganized into two separate companies: the Company and The Neiman Marcus Group, a Delaware Corporation formed in 1987. All public common stockholders of the Company, including participants in the Company's profit sharing plan, retained their stock in the Company and also received $17 in cash and a share of common stock in The Neiman Marcus Group for each Company share held. The convertible preferred shares of the Company (then held by General Cinema Corporation) were exchanged for shares in The Neiman Marcus Group. General Cinema received no cash or shares of the Company in respect of its preferred shares. General Cinema did receive cash and common stock of The Neiman Marcus Group for the Company Common Stock it previously held. Senior Management of the Company received no cash or shares of The Neiman Marcus Group in exchange for their existing holdings, except for the shares held in the profit sharing plan, but, received instead, additional Common Stock of the Company. The 1987 Restructuring allowed certain stockholders, including participants in the profit sharing plan, to elect what combination of cash and securities they would hold after the effective time of the 1987 Restructuring and incorporated a market formula designed to provide all shareholders with essentially equivalent value.

Preferred Stock

As of February 1, 1992, the authorized preferred stock of the Company consisted of five million shares, $.01 par value, of which no amounts were reserved or outstanding as of that date.

CARTER HAWLEY HALE STORES, INC.
(Debtor-in-Possession)

SCHEDULE II -- ACCOUNTS RECEIVABLE FROM RELATED PARTIES

	Balance at Beginning of Period	Additions	Reductions	Balance At End of Period
		(in thousands)		
Fiscal year ended February 1, 1992				
Participants in the 1987 Stock Incentive Plan [a]	$ 9,187	$ -	$ (115)	$ 9,072
John M. Gailys [b]	$ 104	$ -	$ (104)	$ -
Twenty-six week period ended February 2, 1991				
Participants in the 1987 Stock Incentive Plan [a]	$10,465	$ -	$ (1,278)	$ 9,187
John M. Gailys [b]	$ -	$ 104	$ -	$ 104
Fiscal year ended August 4, 1990				
Participants in the 1987 Stock Incentive Plan [a]	$12,198	$ 173	$ (1,906)	$10,465
Fiscal year ended July 29, 1989				
Participants in the 1987 Stock Incentive Plan [a]	$12,276	$ 270	$ (348)	$12,198

(a) The 1987 Stock Incentive Plan provides for the issuance of stock purchase rights to eligible participants. In connection with the exercise of such stock purchase rights, participants have, from the inception of the plan, been issued 694,450 shares of the Company's Common Stock (net of cancellations of 322,250 shares) in exchange for non-recourse notes. The notes, which are reflected as a reduction in shareholders' equity, become due six years from the date of issuance and bear interest at rates ranging from 7.90 percent to 9.69 percent at February 1, 1992.

(b) In September 1990, the Company made a loan of $104,000 to Mr. John M. Gailys, Executive Vice President and Chief Financial Officer of the Company. The loan was repaid prior to Mr. Gailys' resignation from the Company.

CARTER HAWLEY HALE STORES, INC.
(Debtor-in-Possession)

SCHEDULE V--PROPERTY AND EQUIPMENT

Description	Balance at Beginning of Period	Additions at Cost	Retirements	Sales and Other Changes (1)	Balance at End of Period
			(in thousands)		
Fiscal year ended February 1, 1992					
Land	$ 36,246	$	$	$ 1,141	$ 37,387
Buildings and improvements	358,537			19,520	378,057
Leasehold improvements	76,838			3,219	80,057
Fixtures and equipment	393,734			18,029	411,763
Construction in progress	41,760	34,850		(48,385)	28,225
Leased properties under capital leases, primarily buildings	96,191		(3,300)	(5,250)	87,641
	$1,003,306	$34,850	$ (3,300)	$ (11,726)	$1,023,130
Twenty-six week period ended February 2, 1991					
Land	$ 47,350	$	$	$ (11,104)	$ 36,246
Buildings and improvements	389,429			(30,892)	358,537
Leasehold improvements	86,474			(9,636)	76,838
Fixtures and equipment	447,403			(53,669)	393,734
Construction in progress	67,705	37,989	(2,210)	(61,724)	41,760
Leased properties under capital leases, primarily buildings	100,636			(4,445)	96,191
	$1,138,997	$37,989	$ (2,210)	$ (171,470)	$1,003,306
Fiscal year ended August 4, 1990					
Land	$ 46,915	$	$	$ 435	$ 47,350
Buildings and improvements	351,991			37,438	389,429
Leasehold improvements	83,264		(4,279)	7,489	86,474
Fixtures and equipment	440,541		(6,745)	13,607	447,403
Construction in progress	38,031	83,220		(53,546)	67,705
Leased properties under capital leases, primarily buildings	116,022		(887)	(14,499)	100,636
	$1,076,764	$83,220	$ (11,911)	$ (9,076)	$1,138,997
Fiscal year ended July 29, 1989					
Land	$ 45,729	$	$	$ 1,186	$ 46,915
Buildings and improvements	304,017			47,974	351,991
Leasehold improvements	84,042			(778)	83,264
Fixtures and equipment	425,026			15,515	440,541
Construction in progress	38,656	75,849		(76,474)	38,031
Leased properties under capital leases, primarily buildings	120,147		(2,055)	(2,070)	116,022
	$1,017,617	$75,849	$ (2,055)	$ (14,647)	$1,076,764

(1) Sales and other changes reflect the following items:
- Fixed asset sales completed during the period.
- Write off of assets in connection with lease rejections completed during the year ended February 1, 1992.
- Reclassification of costs from construction in progress for projects completed during the period.
- Reclassification of costs relating to properties purchased during the period which previously were operated under capital leases.

CARTER HAWLEY HALE STORES, INC.
(Debtor-in-Possession)

SCHEDULE VI--ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY AND EQUIPMENT

Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Retirements	Sales and Other Changes (1)	Balance at End of Period
			(in thousands)		
Fiscal year ended February 1, 1992					
Buildings and improvements	$ 121,592	$ 8,613	$	$	$ 130,205
Leasehold improvements	17,744	2,479		670	20,893
Fixtures and equipment	303,698	19,180		(4,938)	317,940
Leased properties under capital leases, primarily buildings	48,582	2,450	(3,300)	(2,829)	44,903
	$ 491,616	$ 32,722	$ (3,300)	$ (7,097)	$ 513,941
Twenty-six week period ended February 2, 1991					
Buildings and improvements	$ 137,787	$ 3,910	$	$ (20,105)	$ 121,592
Leasehold improvements	21,475	1,210		(4,941)	17,744
Fixtures and equipment	334,253	9,344		(39,899)	303,698
Leased properties under capital leases, primarily buildings	49,158	1,324		(1,900)	48,582
	$ 542,673	$ 15,788	$	$ (66,845)	$ 491,616
Fiscal year ended August 4, 1990					
Buildings and improvements	$ 119,357	$ 8,703	$	$ 9,727	$ 137,787
Leasehold improvements	22,717	2,667	(2,913)	(996)	21,475
Fixtures and equipment	316,210	26,535	(6,052)	(2,440)	334,253
Leased properties under capital leases, primarily buildings	57,504	3,132	(710)	(10,768)	49,158
	$ 515,788	$ 41,037	$ (9,675)	$ (4,477)	$ 542,673
Fiscal year ended July 29, 1989					
Buildings and improvements	$ 107,666	$ 7,912	$	$ 3,779	$ 119,357
Leasehold improvements	23,207	2,699		(3,189)	22,717
Fixtures and equipment	293,939	28,438		(6,167)	316,210
Leased properties under capital leases, primarily buildings	57,144	3,443	(2,055)	(1,028)	57,504
	$ 481,956	$ 42,492	$ (2,055)	$ (6,605)	$ 515,788

(1) Sales and other changes reflect the following items:
- Fixed asset sales completed during the period.
- Write off of assets in connection with lease rejections completed during the year ended February 1, 1992
- Reclassification of amortization costs relating to properties purchased during the period which previously were operated under capital leases.

CARTER HAWLEY HALE STORES, INC.
(Debtor-in-Possession)

SCHEDULE VIII -- VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Accounts Charged off Less Recoveries	Elimination for the sale of Thalhimers	Balance At End of Period
			(in thousands)		
Fiscal year ended February 1, 1992 Allowance for doubtful accounts	$13,355	$41,753	$38,503	$ —	$16,605
Twenty-six week period ended February 2, 1991 Allowance for doubtful accounts	$11,228	$21,759	$17,719	$ (1,913)	$13,355
Fiscal year ended August 4, 1990 Allowance for doubtful accounts	$10,406	$39,809	$38,987	$ —	$11,228
Fiscal year ended July 29, 1989 Allowance for doubtful accounts	$ 6,514	$28,032	$24,140	$ —	$10,406

CARTER HAWLEY HALE STORES, INC.
(Debtor-in-Possession)

SCHEDULE IX--SHORT-TERM BORROWINGS

Category of Short-Term Borrowings	Balance at End of Period	Weighted Average Interest Rate at End of Period	Maximum Amount Outstanding During the Period(1)	Average Amount Outstanding During the Period(2)	Weighted Average Interest Rate During the Period(2)
	(Dollar amounts in thousands)				
Fiscal year ended February 1, 1992					
Bank borrowings[3]	$ 37,000	8.0%	$130,000	$ 36,876	9.1%
Receivables securitization facility[4]	489,254	7.4	633,798	466,006	8.9
Twenty-six week period ended February 2, 1991					
Bank borrowings	-	-	93,000	73,695	11.5
Receivables securitization facility[5]	633,798	7.5	723,066	679,781	8.6
Fiscal year ended August 4, 1990					
Bank borrowings[6]	40,000	11.4	93,000	37,111	11.7
Receivables securitization facility[5]	678,646	8.7	787,792	701,457	9.1
Fiscal year ended July 29, 1989					
Bank borrowings[7]	34,487	9.8	610,000	218,092	10.2
Receivables securitization facility[5]	617,945	9.0	648,772	405,301	9.5

(1) The maximum amount outstanding during the period is determined on the basis of the amounts outstanding at any month end.

(2) The average amount outstanding during the period and the weighted average interest rate during the period are computed on the basis of daily balances.

(3) Represents borrowings under the Company's postpetition Working Capital Facility.

(4) Represents borrowings under the Company's postpetition Interim Receivables Facility and the Receivables Securitization Facility with which it was replaced in July 1991. The Receivables Securitization Facility provides for Camelback Funding Corp., a limited-purpose corporation, wholly owned by the Company, to issue concurrently $200 million in privately-placed 8.75% credit card backed notes and up to $363.5 million in commercial paper. Borrowings under these facilities were classified as long-term debt for financial statements presentation purposes.

(5) Represents borrowings under the Company's prepetition credit card receivables securitization facility, classified as long-term debt for financial statement presentation purposes. The facility provided for CHH Commercial Paper, Inc., a special purpose corporation not affiliated with the Company, to acquire interests in the Company's credit card receivables and pay for these interests through the issuance of commercial paper.

(6) Represents borrowings under the Company's prepetition working capital facility.

(7) Represents borrowings under a temporary facility to finance receivables originating from deferred payment plans of the Company during the six-month period ended December 4, 1989, classified as long-term debt for financial statement purposes. Subsequently, such receivables were securitized under the Company's prepetition credit card receivables securitization facility.

CARTER HAWLEY HALE STORES, INC.
(Debtor-in-Possession)

SCHEDULE X--SUPPLEMENTARY INCOME STATEMENT INFORMATION

Fiscal Period	Charged to Costs and Expenses Advertising Costs
1992 (52 weeks)	$72,902
1991 (26 weeks)	46,333
1990 (53 weeks)	86,257
1989 (52 weeks)	76,590

QUARTERLY INFORMATION (unaudited)

(dollar amounts in millions, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
1991					
Sales	$430.1	$495.9	$508.7	$693.2	$2,127.9
Percent change from prior year[1]					
Total sales basis	(13.5)%	(7.0)%	(10.2)%	(7.8)%	(9.4)%
Comparative store sales basis	(15.5)	(8.5)	(9.4)	(7.6)	(9.9)
Cost of goods sold, including occupancy and buying costs	321.9	371.0	375.7	512.5	1,581.1
Selling, general, and administrative expenses	104.5	109.6	117.9	144.5	476.5
Interest expense, net	28.1	26.4	23.2	24.6	102.3
Earnings (loss) from operations before reorganization costs	(24.4)	(11.1)	(8.1)	11.6	(32.0)
Reorganization costs[4]	8.0	7.3	8.9	113.9	138.1
Loss from operations[2]	(32.4)	(18.4)	(17.0)	(102.3)	(170.1)
Extraordinary costs		(16.9)			(16.9)
Change in accounting[3]	(30.0)				(30.0)
Net loss	$ (62.4)	$ (35.3)	$ (17.0)	$(102.3)	$ (217.0)
Loss per common share					
Operations	$ (1.12)	$ (.64)	$ (.59)	$ (3.54)	$ (5.89)
Extraordinary costs		(.58)			(.58)
Change in accounting	(1.04)				(1.04)
	$ (2.16)	$ (1.22)	$ (.59)	$ (3.54)	$ (7.51)

(1) Sales decrease on a comparative 12 month basis excluding 1990 sales of Thalhimers which was sold.

(2) The Company recorded no income tax benefit from operations in the current year as a result of limitations on its ability to utilize net operating loss carryforwards.

(3) During the fourth quarter, the Company adopted Statement of Financial Accounting Standards No. 106 "Employers' Accounting for the Postretirement Benefits Other than Pensions". The results for the first quarter were restated to reflect the cumulative effect of the change.

(4) Reorganization costs for the fourth quarter include a $65.0 million provision for the consolidation of the Company into a single operating entity and a $34.0 million charge for settlement of certain disputed claims and valuation adjustments to reflect the effect of the Reorganization Case on the amounts realized for certain assets.

QUARTERLY INFORMATION (unaudited)

(dollar amounts in millions, except per share data)	First Quarter	Second Quarter	Transition Period
26 weeks ended February 2, 1991			
Sales	$ 566.3	$ 752.3	$1,318.6
Percent change from prior year [1]			
Total sales basis	1.5%	(8.6)%	(4.5)%
Comparative store sales basis	-	(5.6)	(3.5)
Cost of goods sold, including occupancy and buying costs	418.2	566.8	985.0
Selling, general, and administrative expenses	122.8	169.4	292.2
Provision for consolidation programs	35.0	12.0	47.0
Gain on sale of Thalhimers[2]	(30.0)		(30.0)
Interest expense, net	34.7	36.4	71.1
Loss from operations before reorganization costs and income taxes	(14.4)	(32.3)	(46.7)
Reorganization costs		40.0	40.0
Loss from operations before income taxes	(14.4)	(72.3)	(86.7)
Income taxes [3]	(5.7)	(7.5)	(13.2)
Loss from operations	(8.7)	(64.8)	(73.5)
Extraordinary costs [3]	(6.2)	(7.9)	(14.1)
Net loss	$ (14.9)	$ (72.7)	$ (87.6)
Loss per common share			
Operations	$ (.30)	$ (2.25)	$ (2.55)
Extraordinary costs	(.22)	(.27)	(.49)
	$ (.52)	$ (2.52)	$ (3.04)

(1) Sales increase on a comparative 6 month basis, excluding sales for the twenty-seven weeks ended February 3, 1990 for Thalhimers, which was sold.

(2) Thalhimers' results of operations for the thirteen week period ended November 3, 1990, the effective date of sale, are excluded from operations and are incorporated in the calculation of the gain on sale.

(3) The income tax benefit for the first quarter was recorded based on the anticipated rate of 40 percent for the entire fiscal period. As a result of the loss incurred in the second quarter, the actual income tax benefit for the Transition Period was recorded at an incremental rate of 15.2 percent. The income tax benefit, and the tax effect on the extraordinary costs, was adjusted in the second quarter to reflect the actual tax benefit for the Transition Period.

QUARTERLY INFORMATION (unaudited)

(dollar amounts in millions, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
1990*					
Sales	$658.8	$984.8	$590.9	$623.3	$2,857.8
Percent change from prior year					
Total sales basis	3.5%	5.8%	(.8)%	(.2)%	2.5%
Comparative store sales basis	4.0	2.5	.3	.9	2.0
Cost of goods sold, including occupancy and buying costs	471.0	714.2	427.2	473.0	2,085.4
Selling, general, and administrative expenses	149.0	189.9	130.7	148.0	617.6
Other (income) expense	1.4	2.8	1.8	(1.2)	4.8
Interest expense, net	43.1	44.5	42.2	31.7	161.5
Earnings (loss) from operations before income taxes	(5.7)	33.4	(11.0)	(28.2)	(11.5)
Income taxes	(2.3)	13.4	(4.4)	(8.7)	(2.0)
Earnings (loss) from operations	(3.4)	20.0	(6.6)	(19.5)	(9.5)
Extraordinary costs	(10.5)			(6.0)	(16.5)
Net earnings (loss)	$ (13.9)	$ 20.0	$ (6.6)	$ (25.5)	$ (26.0)
Earnings (loss) per common share					
Operations	$ (.16)	$ .80	$ (.24)	$ (.70)	$ (.37)
Extraordinary costs	(.49)			(.22)	(.66)
	$ (.65)	$ .80	$ (.24)	$ (.92)	$ (1.03)

* Fiscal 1990 was a 53 week year, with the extra week included in the second quarter of the year.

Closing Market Price Ranges of Common Stock	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
1991 (52 weeks ended February 1, 1992)					
High	$ 2 1/2	$ 2	$ 2 3/8	$ 1 7/8	$ 2 1/2
Low	1 1/8	1	1 1/2	1 1/8	1
Transition Period (26 weeks ended February 2, 1991)					
High	$ 5 1/8	$ 3 7/8			$ 5 1/8
Low	2	2 1/2			2
1990 (53 weeks ended August 4, 1990)					
High	$14 1/4	$ 9 1/4	$ 8	$ 6 5/8	$14 1/4
Low	8 3/4	6 1/8	5 3/8	4 7/8	4 7/8

The New York Stock Exchange is the principal market on which the Company's Common Stock is traded.

FIVE YEAR FINANCIAL SUMMARY

(Dollar amounts in thousands, except per share data)	Fiscal Period Ended February 1, 1992 (52 weeks)	February 2, 1991 (26 weeks)	August 4, 1990 (53 weeks)	July 29, 1989 (52 weeks)	July 30, 1988 (52 weeks)	August 1, 1987 (26 weeks)
For the Year						
Sales	$2,127,917	$1,318,565	$2,857,819	$2,787,393	$2,617,143	$1,164,338
Percent increase (decrease) from prior year	(9.4)(1)	(4.5)(2)	2.5	6.5	.7(3)	5.8(4)
Cost of goods sold, including occupancy and buying costs	1,581,144	985,018	2,085,344	2,001,188	1,879,664	919,764
Selling, general, and administrative expenses	476,520	292,241	617,580	607,441	587,869	349,185
Provision for consolidation programs		47,000				
Gain on sale of Thalhimers		(30,000)				
Other (income) expense (5)			4,831	6,000	(1,500)	42,850
Interest expense, net	102,288	71,046	161,534	160,344	135,600	28,134
Earnings (loss) from continuing operations before reorganization costs and income taxes	(32,035)	(46,740)	(11,470)	12,420	15,510	(175,595)
Reorganization costs	138,057	40,000				
Pretax earnings (loss) from continuing operations	(170,092)	(86,740)	(11,470)	12,420	15,510	(175,595)
Income taxes		(13,200)	(2,000)	5,000	6,200	(68,300)
Earnings (loss) from continuing operations	(170,092)	(73,540)	(9,470)	7,420	9,310	(107,295)
Discontinued operations, net of income taxes (6)						(63,578)
Extraordinary costs and changes in accounting (7)	(46,894)	(14,070)	(16,500)	6,050	8,350	
Net earnings (loss)	$ (216,986)	$ (87,610)	$ (25,970)	$ 13,470	$ 17,660	$ (170,873)
Cash dividends					$ 2,055	$ 21,155
Per Common Share						
Earnings (loss) from continuing operations	$ (5.89)	$ (2.55)	$ (.37)	$ .34	$ .33	$ (6.06)
Cash dividends						$ .305
At Year End						
Accounts and other receivables, net (including accounts sold)	$ 615,309	$ 699,961	$ 745,883	$ 746,305	$ 473,826	$ 546,819
Merchandise inventories	348,446	355,449	550,433	562,514	536,656	432,866
Owned property and equipment, net	446,451	464,081	544,846	502,458	472,658	411,905
Leased property under capital leases, net	42,738	47,609	51,478	58,518	63,003	90,178
Total assets	1,667,662	1,755,421	2,045,194	1,988,365	1,671,622	1,922,086
Receivables based financing	489,254	633,798	578,646	652,432	351,000	149,000
Liabilities subject to settlement under reorganization proceedings	598,321	598,650				
Other long-term debt	453,174	453,174	872,687	878,421	826,248	620,820
Capital lease obligations	55,255	62,116	67,110	78,244	83,168	112,042
Redeemable preferred stock						300,000
Common stock and other shareholders' equity	(508,476)	(272,627)	(193,820)	(211,617)	(230,191)	145,772
Common shares outstanding (in thousands)	30,349	30,369	29,848	23,060	22,592	20,367
Common shareholders	26,301	23,059	22,330	21,761	20,984	16,211
Employees	24,000	24,000	36,000	37,000	37,000	37,000

FIVE YEAR FINANCIAL SUMMARY (Continued)

(1) Sales increase on a comparative 12 month basis excluding the 1990 sales of Thalhimers which was sold.

(2) Sales increase on a comparative six month basis, excluding sales for the twenty-seven weeks ended February 3, 1990 for Thalhimers which was sold.

(3) Sales increase on a comparative 12 month basis, excluding the 1987 period sales of John Wanamaker and two stores of The Broadway-Southwest, which were sold.

(4) Sales increase on a comparative six month basis, excluding 1986 sales of John Wanamaker.

(5) Includes gains on asset sales of $7.3 million in 1990 and $30.0 million in 1988, costs of the buying office closure of $12.1 million in 1990 and $6.0 million in 1989, costs of operational and facility realignment programs of $28.5 million in 1988 and, in the twenty-six week period ended August 1, 1987, costs of operational and facility realignment programs of $15.7 million, a loss on the sale of John Wanamaker of $4.0 million, and costs relating to the restructuring program of $23.1 million.

(6) Reflects operating results of the Company's former specialty store divisions consisting of Bergdorf Goodman, Contempo Casuals, and Neiman Marcus.

(7) Includes extraordinary charge of $16.5 million in 1990 for the uninsured loss associated with the October 1989 San Francisco earthquake, a charge for a change in accounting for postretirement medical benefits of $30.0 million in 1991, and income for changes in accounting for income taxes of $15.3 million in 1989, and for capitalization of certain inventory costs of $10.1 million in 1988, and costs relating to early retirements of debt of $16.9 million in 1991, $14.1 million in the Transition Period ended February 2, 1991, $9.2 million in 1989, and $1.7 million in 1988.

CARTER HAWLEY HALE STORES, INC.
(Debtor-in-Possession)

INDEX TO EXHIBITS

Exhibit No.	Description
3.1*	Restated Certificate of Incorporation of the Company.
3.2	Bylaws of the Company, as amended; incorporated by reference to Exhibit 3.2 to the Form 10-K for the year ended January 31, 1987.
3.3	Form of Certificate of Designation, Preferences and Rights of Series C Junior Participating Preferred Stock of Carter Hawley Hale Stores, Inc.; incorporated by reference to the Exhibit at Annex VIII to the Registration Statement (No. 33-16115) of Carter Hawley Hale Stores, Inc. filed July 28, 1987.
4.1	Indenture dated as of August 15, 1987, between the Company and Security Pacific National Bank with respect to 12 1/4% Senior Subordinated Notes due 1996; incorporated by reference to Exhibit 1 to the Form 8-K dated August 31, 1987.
4.2	Indenture dated as of August 15, 1987, between the Company and Security Pacific National Bank with respect to 12 1/2% Senior Subordinated Debentures due 2002; incorporated by reference to Exhibit 2 to the Form 8-K dated August 31, 1987.
4.3	Loan Agreement dated as of August 27, 1987, among The Prudential Insurance Company of America, Carter Hawley Hale Stores, Inc. and Thalhimer Brothers, Inc. with respect to $350,000,000; incorporated by reference to Exhibit 4.5 to the Form 10-K for the twenty-six weeks ended August 1, 1987.
4.4*	Amendment to Loan Agreement and Notes dated as of June 30, 1988 among Carter Hawley Hale Stores, Inc., Thalhimer Brothers, Inc., and The Prudential Insurance Company of America.
4.5*	Amendment to Loan Agreement, Notes and License Agreement dated as of August 3, 1990 among Carter Hawley Hale Stores, Inc., Thalhimer Brothers, Inc., and The Prudential Insurance Company of America.
4.6*	Agreement and Release dated as of December 14, 1990 among Carter Hawley Hale Stores, Inc., Thalhimer Brothers, Inc., and the Prudential Insurance Company of America.
4.7	Term Loan Agreement dated as of June 28, 1988, among Carter Hawley Hale Stores, Inc., Thalhimer Brothers, Inc., the Banks Party thereto, and Bank of America, as agent, with respect to $135,000,000; incorporated by reference to Exhibit 4.8 to the Form 10-K for the year ended July 30, 1988.
4.8*	Modification Agreement dated as of November 28, 1988 among Bank of America National Trust and Savings Association as Bank and Agent, Barclays Bank PLC, Security Pacific National Bank, Carter Hawley Hale Stores, Inc., and Thalhimer Brothers, Inc.

Exhibit No.	Description
4.9*	First Amendment to Term Loan Agreement dated as of December 30, 1988 among Bank of America National Trust and Savings Association as Bank and Agent, Barclays Bank PLC, Security Pacific National Bank, Carter Hawley Hale Stores, Inc., and Thalhimer Brothers, Inc.
4.10*	Second Amendment to Term Loan Agreement and Waiver dated as of May 31, 1989 among Bank of America National Trust and Savings Association as Bank and Agent, Barclays Bank PLC, Security Pacific National Bank, Carter Hawley Hale Stores, Inc., and Thalhimer Brothers, Inc.
4.11*	Third Amendment to Term Loan Agreement dated as of July 26, 1989, among Bank of America National Trust and Savings Association as Bank and Agent, Barclays Bank PLC, Security Pacific National Bank, Carter Hawley Hale Stores, Inc., and Thalhimer Brothers, Inc.
4.12*	Fourth Amendment to Term Loan Agreement dated as of September 22, 1989 among Bank of America National Trust and Savings Association as Bank and Agent, Barclays Bank PLC, Security Pacific National Bank, Carter Hawley Hale Stores, Inc., and Thalhimer Brothers, Inc.
4.13*	Agreement and Release dated as of December 12, 1990 by and among Bank of America National Trust and Savings Association as Bank and Agent, Barclays Bank PLC, Security Pacific National Bank, Carter Hawley Hale Stores, Inc., and Thalhimer Brothers, Inc.
4.14	Working Capital Credit Agreement dated as of July 26, 1989, among Carter Hawley Hale Stores, Inc., the Banks Party thereto, and Bank of America, as agent, with respect to $140,000,000, as amended and restated on May 31, 1990; incorporated by reference to Exhibit 4.5 to the Form 10-K for the fiscal year ended August 4, 1990.
4.15	Amendment No. 2 to Working Capital Credit Agreement among Carter Hawley Hale Stores, Inc., the Banks Party thereto, and Bank of America, as agent, executed October 19, 1990; incorporated by reference to exhibit 4.6 to the Form 10-K for the fiscal year ended August 4, 1990.
	The Company has outstanding certain other long-term indebtedness. Such long-term indebtedness does not exceed 10% of the total assets of the Company and its subsidiaries; therefore, copies of instruments defining the rights of holders of such indebtedness are not included as exhibits. The Company agrees to furnish copies of such instruments to the Securities and Exchange Commission upon request.
4.16	Rights agreement between Carter Hawley Hale Stores, Inc. and Security Pacific National Bank as Rights Agent dated as of September 12, 1987; incorporated by reference to Exhibit 4.7 to the Form 10-K for the twenty-six weeks ended August 1, 1987.
10.1	Deferred Compensation Plan of Carter Hawley Hale Stores, Inc. dated as of June 3, 1976 and amended as of February 4, 1977; incorporated by reference to Exhibit 15 to the Form 10-K for the fiscal year ended January 29, 1977.

Exhibit No.	Description
10.2	Amendment to the Deferred Compensation Plan of Carter Hawley Hale Stores, Inc. executed on February 6, 1980; incorporated by reference to Exhibit 20 to the Form 10-K for the fiscal year ended February 2, 1980.
10.3	Amendment to the Deferred Compensation Plan of Carter Hawley Hale Stores, Inc. executed on April 7, 1983; incorporated by reference to Exhibit 10.13 to the Form 10-K for fiscal year ended January 29, 1983.
10.4	Amendment 1990-I to the Deferred Compensation Plan of Carter Hawley Hale Stores, Inc. effective as of August 1, 1990, incorporated by reference to Exhibit 4.6 to Post-Effective Amendment No. 7 to the Registration Statement (No. 2-6810) of Carter Hawley Hale Stores, Inc. filed November 7, 1990.
10.5	Amendment to the Deferred Compensation Plan of Carter Hawley Hale Stores, Inc.; incorporated by reference to Exhibit 4.5 to Post-Effective Amendment No. 5 to the Registration Statement (No. 2-68102) of Carter Hawley Hale Stores, Inc. filed July 31, 1987.
10.6	Carter Hawley Hale Stores, Inc. Long-Term Incentive Compensation Plan as approved by shareholders on June 4, 1980; incorporated by reference to Exhibit A to the Proxy Statement for the Annual Meeting of Shareholders held on June 4, 1980; and amendment thereto dated April 15, 1984; incorporated by reference to Exhibit 10.5 to the Form 10-K for the fiscal year ended January 28, 1984.
10.7	Carter Hawley Hale Stores, Inc. Long-Term Incentive Compensation Plan (including 1987 Amendments); incorporated by reference to Exhibit 4.5 to Post-Effective Amendment No. 7 to the Registration Statement (No.2-68101) of Carter Hawley Hale Stores, Inc. filed July 31, 1987.
10.8	Carter Hawley Hale Stores, Inc. 1985 Stock Incentive Plan as approved by shareholders on June 4, 1985; incorporated by reference to Exhibit A to Proxy Statement dated April 26, 1985.
10.9	Carter Hawley Hale Stores, Inc. 1985 Stock Incentive Plan (including 1987 Amendments); incorporated by reference to Exhibit 4.1 to Post-Effective Amendment No. 1 to the Registration Statement (No. 2-98321) of Carter Hawley Hale Stores, Inc. filed July 31, 1987.
10.10	Carter Hawley Hale Stores, Inc. Amended and Restated Nonqualified Stock Option Plan as approved by shareholders on June 4, 1985; incorporated by reference to Exhibit 4.2 to the Form 10-Q for the quarter ended May 4, 1985.
10.11	Carter Hawley Hale Stores, Inc. Amended and Restated Nonqualified Stock Option Plan (including 1987 Amendments); incorporated by reference to Exhibit 4.1 to Post-Effective Amendment No. 13 to the Registration Statement (No. 2-42202) of Carter Hawley Hale Stores, Inc. filed July 31, 1987.
10.12	Profit Sharing Plan for Employees of Carter Hawley Hale Stores, Inc., as amended and restated as of July 1, 1987; incorporated by reference to Exhibit 4.1 to Post-Effective Amendment No. 10 to the Registration Statement (No. 2-64326) of Carter Hawley Hale Stores, Inc. filed July 31, 1987.

Exhibit No.	Description
10.13	Carter Hawley Hale Stores, Inc. 1987 Stock Incentive Plan; incorporated by reference to Annex VI to the Registration Statement (No. 33-16115) of Carter Hawley Hale Stores, Inc. filed July 28, 1987.
10.14	Carter Hawley Hale Stores, Inc. Annual Incentive Plan; incorporated by reference to Exhibit 10.17 to the Registration Statement (No. 33-16115) of Carter Hawley Hale Stores, Inc. filed July 28, 1987.
10.15*	Carter Hawley Hale Stores, Inc. Executive Retention Incentive Plan effective as of February 1, 1991.
10.16*	Carter Hawley Hale Stores, Inc. Special Severance Pay Plan effective as of February 1, 1991.
10.17*	Carter Hawley Hale Stores, Inc. Retirement Plan for Non-employee Directors dated as of February 1, 1989.
10.18*	Carter Hawley Hale Stores, Inc. Directors Deferred Compensation Plan effective as of February 1, 1986.
10.19	Agreement between Carter Hawley Hale Stores, Inc. and General Cinema Corporation dated April 16, 1984 governing General Cinema's investment in Carter Hawley Hale Stores, Inc.; incorporated by reference to Exhibit 10.10 to the Registration Statement (No. 33-16115) of Carter Hawley Hale Stores, Inc. filed July 28, 1987.
10.20	Agreement between Carter Hawley Hale Stores, Inc. and General Cinema Corporation dated December 7, 1986 governing General Cinema's investment in Carter Hawley Hale Stores, Inc.; incorporated by reference to Exhibit 10.11 to the Registration Statement (No. 33-16115) of Carter Hawley Hale Stores, Inc. filed July 28, 1987.
10.21	Letter Agreement between Carter Hawley Hale Stores, Inc. and General Cinema Corporation dated as of August 11, 1987, governing General Cinema's investment in Carter Hawley Hale Stores, Inc. following the Consolidation; incorporated by reference to Exhibit 7 to the Form 8-K dated August 20, 1987.
10.22	Carter Hawley Hale Stores, Inc. Management Deferred Compensation Plan; incorporated by reference to Exhibit 10.19 to the Registration Statement (No. 33-16115) of Carter Hawley Hale Stores, Inc. filed July 28, 1987.
10.23	Carter Hawley Hale Stores, Inc. Deferred Compensation Plan for Executives; incorporated by reference to Exhibit 10.20 to the Registration Statement (No. 33-16115) of Carter Hawley Hale Stores, Inc. filed July 28, 1987.
10.24	Carter Hawley Hale Stores, Inc. Supplemental Executive Retirement Plan; incorporated by reference to Exhibit 10.14 to the Form 10-K for the fiscal year ended January 28, 1984.
10.25*	Form of employment agreement between Carter Hawley Hale Stores, Inc. and certain officers.

Exhibit No.	Description
10.26*	Listing of officers covered as of February 1, 1992 by form of employment agreement referenced at Exhibit 10.25.
10.27	Form of consulting agreement between Carter Hawley Hale Stores, Inc. and certain officers; incorporated by reference to Exhibit 10.25 to the Registration Statement (No. 33-16115) of Carter Hawley Hale Stores, Inc. filed July 28, 1987.
10.28	Employment agreement between Carter Hawley Hale Stores, Inc. and Philip M. Hawley; incorporated by reference to Exhibit 10.1 to the Form 10-Q for the quarter ended May 4, 1985.
10.29	Employment agreement between Carter Hawley Hale Stores, Inc. and Waldo H. Burnside; incorporated by reference to Exhibit 10.2 to the Form 10-Q for the quarter ended May 4, 1985.
10.30	Form of severance agreement between Carter Hawley Hale Stores, Inc. and certain officers; incorporated by reference to Exhibit 10.17 to the Form 10-K for the fiscal year ended January 28, 1984.
10.31	Form of indemnification agreement between Carter Hawley Hale Stores, Inc. and each of its directors; incorporated by reference to Annex XV to the Registration Statement (No. 33-16115) of Carter Hawley Hale Stores, Inc. filed July 28, 1987.
10.32	Form of indemnification agreement between Carter Hawley Hale Stores, Inc. and certain of its officers; incorporated by reference to Exhibit 10.31 to the Registration Statement (No. 33-16115) of Carter Hawley Hale Stores, Inc. filed July 28, 1987.
10.33	Tax Allocation Agreement dated as of July 24, 1987 between Carter Hawley Hale Stores, Inc. and The Neiman Marcus Group, Inc.; incorporated by reference to Exhibit 2 to the Form 8-K dated August 20, 1987.
10.34	Employee Benefits Agreement dated as of July 24, 1987 between Carter Hawley Hale Stores, Inc. and The Neiman Marcus Group, Inc.; incorporated by reference to Exhibit 3 to the Form 8-K dated August 20, 1987.
10.35	Information Services Agreement dated as of July 24, 1987 between Carter Hawley Hale Stores, Inc. and The Neiman Marcus Group, Inc.; incorporated by reference to Exhibit 4 to the Form 8-K dated August 20, 1987.
10.36	Transitional Services Agreement dated as of July 24, 1987 between Carter Hawley Hale Stores, Inc. and The Neiman Marcus Group, Inc.; incorporated by reference to Exhibit 5 to the Form 8-K dated August 20, 1987.
10.37	Revolving Credit Agreement dated as of February 11, 1991 among Carter Hawley Hale Stores, Inc., as Borrower, the Banks Party thereto, and Chemical Bank, as Agent; incorporated by reference to Exhibit 10.41 to the Form 10-K for the Transition Period ended February 2, 1991.
10.38*	Amendment No. 1 dated as of February 28, 1991 to Revolving Credit agreement dated as of February 11, 1991 among Carter Hawley Hale Stores, Inc., the Banks Party thereto, and Chemical Bank, as Agent.

Exhibit No.	Description
10.39*	Amendment No. 2 dated as of March 8, 1991 to Revolving Credit Agreement dated as of February 11, 1991 among Carter Hawley Hale Stores, Inc., the Banks Party thereto, and Chemical Bank as Agent.
10.40*	Amendment No. 3 dated as of March 27, 1991 to Revolving Credit Agreement dated as of February 11, 1991 among Carter Hawley Hale Stores, Inc., the Banks Party thereto, and Chemical Bank, as Agent.
10.41*	Amendment No. 4 dated as of March 21, 1991 to Revolving Credit Agreement dated as of February 11, 1991 among Carter Hawley Hale Stores, Inc., the Banks Party thereto, and Chemical Bank, as Agent.
10.42*	Amendment No. 5 dated as of August 19, 1991 to Revolving Credit Agreement dated as of February 11, 1991 among Carter Hawley Hale Stores, Inc., the Banks Party thereto, and Chemical Bank, as Agent.
10.43	Amendment No. 6 dated as of November 21, 1991 to Revolving Credit Agreement dated as of February 11, 1991 among Carter Hawley Hale Stores, Inc., the Banks Party thereto, and Chemical Bank, as Agent; incorporated by reference to Exhibit 10.67 to the Form 10-Q for the Quarter ended November 2, 1991.
10.44	Receivables Retransfer Agreement dated as of March 27, 1991 among CHH Receivables, Inc., CHH Commercial Paper, Inc., and Carter Hawley Hale Stores, Inc.; incorporated by reference to Exhibit 10.42 to the Form 10-K for the Transition Period ended February 2, 1991.
10.45	Transfer and Administration Agreement dated as of March 27, 1991 between Camelback Funding Corp. and Carter Hawley Hale Stores, Inc.; incorporated by reference to Exhibit 10.43 to the Form 10-K for the Transition Period ended February 2, 1991.
10.46	Credit Agreement dated as of March 27, 1991 among Camelback Funding Corp., the Lenders named therein, and Chemical Bank, as Agent; incorporated by reference to Exhibit 10.44 to the Form 10-K for the Transition Period ended February 2, 1991.
10.47	Assignment and Security Agreement dated as of March 27, 1991 between Camelback Funding Corp. and Chemical Bank, as Collateral Agent; incorporated by reference to Exhibit 10.45 to the Form 10-K for the Transition Period ended February 2, 1991.
10.48	Intercreditor Agreement dated as of March 27, 1991 between Carter Hawley Hale Stores, Inc. and Chemical Bank; incorporated by reference to Exhibit 10.46 to the Form 10-K for the Transition Period ended February 2, 1991.
10.49	Administration Agreement dated as of March 27, 1991 between Camelback Funding Corp. and Carter Hawley Hale Stores, Inc.; incorporated by reference to Exhibit 10.47 to the Form 10-K for the Transition Period ended February 2, 1991.
10.50	Management Agreement dated as of March 27, 1991 among Camelback Funding Corp., Carter Hawley Hale Stores, Inc., and Lord Securities Corporation; incorporated by reference to Exhibit 10.48 to the Form 10-K for the Transition Period ended February 2, 1991.

Exhibit No.	Description
10.51	Agreement dated as of September 15, 1989 between Carter Hawley Hale Stores, Inc. and The Associated Merchandising Corporation; incorporated by reference to Exhibit 10.49 to the Form 10-K for the Transition Period ended February 2, 1991.
10.52	Stock Purchase Agreement dated as of October 9, 1990 by and between The May Department Stores Company and Carter Hawley Hale Stores, Inc. incorporated by reference to exhibit 2.1 to the Form 8-K dated December 14, 1990.
10.53	Amendment No. 1 to Stock Purchase Agreement dated December 14, 1990 by and between Carter Hawley Hale Stores, Inc. and The May Department Stores Company incorporated by reference to exhibit 2.2 to the Form 8-K dated December 14, 1990.
10.54	Amended and Restated Transfer and Administration Agreement between Camelback Funding Corp. and Carter Hawley Hale Stores, Inc. incorporated by reference to Exhibit 10.52 to Form 10-Q for the Quarter ended August 3, 1991.
10.55	Amendment No. 1 to Transfer and Administration Agreement between Carter Hawley Hale Stores, Inc. and Camelback Funding Corp.; incorporated by reference to Exhibit 10.53 to Form 10-Q for the Quarter ended August 3, 1991.
10.56	Stock Purchase Agreement between Broad Street Contract Services, Inc. and Carter Hawley Hale Stores, Inc.; incorporated by reference to Exhibit 10.54 to Form 10-Q for the Quarter ended August 3, 1991.
10.57	Note Purchase Agreements; incorporated by reference to Exhibit 10.55 to Form 10-Q for the Quarter ended August 3, 1991.
10.58	Indenture among Camelback Funding Corp., Chemical Bank, as Trustee, and Capital Markets Assurance Corporation, as Surety; incorporated by reference to Exhibit 10.56 to Form 10-Q for the Quarter ended August 3, 1991.
10.59	Insurance and Reimbursement Agreement among Capital Markets Assurance Corporation, Camelback Funding Corp., and Carter Hawley Hale Stores, Inc.; incorporated by reference to Exhibit 10.57 to Form 10-Q for the Quarter ended August 3, 1991.
10.60	Capital Markets Assurance Corporation Note Surety Bond; incorporated by reference to Exhibit 10.58 to Form 10-Q for the Quarter ended August 3, 1991.
10.61	Chemical Securities, Inc. Placement Agency Agreement; incorporated by reference to Exhibit 10.59 to Form 10-Q for the Quarter ended August 3, 1991.
10.62	Security Agreement Among Camelback Funding Corp., Carter Hawley Hale Stores, Inc., Chemical Bank, Capital Markets Assurance Corporation, and National Westminster Bank PLC; incorporated by reference to Exhibit 10.60 to Form 10-Q for the Quarter ended August 3, 1991.
10.63	Depositary Agreement between Chemical Bank and Camelback Funding Corp.; incorporated by reference to Exhibit 10.61 to Form 10-Q for the Quarter ended August 3, 1991.

Exhibit No.	Description
10.64	Commercial Paper Dealer Agreement among CSI, Carter Hawley Hale Stores, Inc., and Camelback Funding Corp.; incorporated by reference to Exhibit 10.62 to Form 10-Q for the Quarter ended August 3, 1991.
10.65	Capital Markets Assurance Corporation Commercial Paper Surety Bond; incorporated by reference to Exhibit 10.63 to Form 10-Q for the Quarter ended August 3, 1991.
10.66	Liquidity Agreement among Camelback Funding Corp., the Banks named therein, National Westminster Bank, PLC and the Co-Agents; incorporated by reference to Exhibit 10.64 to Form 10-Q for the Quarter ended August 3, 1991.
10.67	Interest Rate Cap Agreement; incorporated by reference to Exhibit 10.66 to Form 10-Q for the Quarter ended August 3, 1991.
10.68	Agreement dated as of July 23, 1991 between Zell/Chilmark Fund, L.P. and Carter Hawley hale Stores, Inc; incorporated by reference to Exhibit 2 to the form 8-K dated July 23, 1991.
10.69	Letter Agreement dated as of August 15, 1991 between Carter Hawley Hale Stores, Inc. and Zell/Chilmark Fund, L.P.; incorporated by reference to Exhibit 9 to the Form 8-K dated August 15, 1991.
10.70	Letter Agreement dated as of August 15, 1991 between Carter Hawley Hale Stores, Inc. and Zell/Chilmark Fund, L.P.; incorporated by reference to Exhibit 10 to the Form 8-K dated August 15, 1991.
10.71	Letter Agreement dated October 1, 1991 between Carter Hawley Hale Stores, Inc. and Zell/Chilmark Fund, L.P.; incorporated by reference to Exhibit 2 to the Form 8-K dated October 2, 1991.
10.72*	Store Modernization Credit Agreement dated as of July 26, 1991 between Carter Hawley Hale Stores, Inc. and Zell/Chilmark Fund, L.P.
10.73	Letter Agreement dated December 31, 1991 between the Prudential Insurance Company of America and Carter Hawley Hale Stores, Inc.; incorporated by reference to Form 8-K dated December 31, 1991.
11.	Computation of Earnings per Share included on page 88.
22.	Carter Hawley Hale Stores, Inc. Subsidiaries included on page 89.
24.	Consent of Price Waterhouse included on page 38.
25.	Powers of Attorney included on pages 34 and 35.

* Exhibit filed with this Form 10-K.

Copies of any of the foregoing exhibits may be obtained by making a written request to the Secretary of the Company at the address shown on the cover. Copies will be furnished at a price of $.20 per page with a minimum charge of $10 per exhibit.

CARTER HAWLEY HALE STORES, INC.
(Debtor-in-Possession)

EXHIBIT 11

Computation of Earnings per Share

	Year Ended		Transition Period	Twenty-seven Weeks Ended	Year Ended	
	February 1, 1992	February 2, 1991 (unaudited)	February 2, 1991	February 3, 1990 (unaudited)	August 4, 1990	July 29, 1989
Primary earnings (loss) per common share						
Earnings (loss) from operations	$(170,092,000)	$ (99,670,000)	$(73,540,000)	$16,660,000	$ (9,470,000)	$ 7,420,000
Extraordinary items	(16,894,000)	(20,070,000)	(14,070,000)	(10,500,000)	(16,500,000)	(9,250,000)
Cumulative effect of changes in accounting	(30,000,000)					15,300,000
Net earnings (loss) used to compute primary earnings (loss) per common share	$(216,986,000)	$ 119,740,000	$(87,610,000)	$ 6,160,000	$(25,970,000)	$13,470,000
Weighted average number of common shares outstanding during the year	30,352,930	29,764,255	30,398,841	24,622,995	26,833,816	22,728,459
Shares issuable in connection with stock options using the treasury stock method				877,806		900,539
Reduction in shares in connection with the 1987 Stock Incentive Plan using the treasury stock method	(1,450,340)	(1,648,562)	(1,626,246)	(1,763,820)	(1,718,225)	(1,811,164)
Weighted average number of common shares, including common stock equivalents, used to compute primary earnings (loss) per common share	28,902,590	28,115,693	28,772,595	23,736,981	25,115,591	21,817,834
Primary earnings (loss) per common share						
Operations	$ (5.89)	$ (3.55)	(2.55)	$ .70	$ (.37)	$ .34
Extraordinary items	(.58)	(.71)	(.49)	(.44)	(.66)	(.42)
Cumulative effect of changes in accounting	(1.04)					.70
Total	$ (7.51)	$ (4.26)	$ (3.04)	$ .26	$ (1.03)	$ .62
Fully diluted earnings (loss) per common share						
Earnings (loss) from operations	$(170,092,000)	$ (99,670,000)	$(73,540,000)	$16,660,000	$ (9,470,000)	$ 7,420,000
Extraordinary items	16,894,000	(20,070,000)	(14,070,000)	(10,500,000)	(16,500,000)	(9,250,000)
Cumulative effect of changes in accounting	30,000,000					15,300,000
Net earnings (loss) used to compute fully diluted earnings (loss) per common share	$(216,986,000)	$(119,740,000)	$(87,610,000)	$ 6,160,000	$(25,970,000)	$13,470,000
Weighted average number of common shares outstanding during the year	30,352,930	29,764,255	30,398,841	24,622,995	26,833,816	22,728,459
Shares issuable in connection with stock options using the treasury stock method				877,806		1,270,456
Reduction in shares in connection with the 1987 Stock Incentive Plan using the treasury stock method	(1,450,340)	(1,648,562)	(1,626,246)	(1,763,820)	(1,718,225)	(1,765,679)
Weighted average number of common shares, including common stock equivalents, used to compute fully diluted earnings (loss) per common share	28,902,590	28,115,693	28,772,595	23,736,981	25,115,591	22,233,236
Fully diluted earnings (loss) per common share						
Operations	$ (5.89)	$ (3.55)	(2.55)	$ .70	$ (.37)	$ .34
Extraordinary items	(.58)	(.71)	(.49)	(.44)	(.66)	(.42)
Cumulative effect of changes in accounting	(1.04)					.69
Total	$ (7.51)	$ (4.26)	$ (3.04)	$ .26	$ (1.03)	$ .61

EXHIBIT 22

CARTER HAWLEY HALE STORES, INC.
(Debtor-in-Possession)

Subsidiaries as of February 1, 1992

	Percentage of Ownership	State of Incorporation
Active:		
Camelback Funding Corp.	100%	Delaware
Inactive:		
Carter Hawley Hale Credit Corp.	100	Nevada
CHH Receivables, Inc.	100	Delaware
Carter Hawley Hale Properties, Inc.	100	California
Private Business Air Service, Inc.	100	California

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